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REVIEW OF GRAZING FEES

HEARINGS
BEFORE THE
SUBCOMMITTEE ON PUBLIC LANDS
OF THE
COMMITTEE ON
INTERIOR AND INSULAR AFFAIRS
HOUSE OF REPRESENTATIVES
NINETY-FIRST CONGRESS
FIRST SESSION
ON
REVIEW ON GRAZING FEES

HEARING HELD IN
WASHINGTON, D.C., MARCH 4 AND 5, 1969

Serial No. 91-1

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Note: The chairman, Hon. Wayne N. Aspinall, and the ranking minority member, Hon. John P. Saylor, are ex officio members of each subcommittee.

(II)



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GRAZING FEES

TUESDAY, MARCH 4, 1969

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON PUBLIC LANDS
OF THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:50 a.m., in room 1324, Longworth House Office Building, Hon. Walter S. Baring presiding.

Mr. BARING. The Subcommittee on Public Lands will come to order.

The hearings this morning are being conducted to receive testimony from all interested individuals, organizations, and Government agencies on the increase in grazing fees that was announced by the Departments of Agriculture and Interior on January 14, 1969. This announced increase has generated more correspondence, both favorable and unfavorable, than any other single issue before this subcommittee in several years. Because of this widespread interest and because of the widely differing views expressed to members of this committee these hearings are timely.

We hope to hear from all persons wishing to make a statement but must ask that the oral presentation be brief in order to have time for questioning and to assure that everyone has an opportunity to be heard.

Before proceeding I wish to make a statement for the record.

STATEMENT OF HON. WALTER S. BARING, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEVADA

Mr. BARING. Eighty-six percent of the land within the State of Nevada is owned by the Federal Government. This means that, out of some 70.2 million acres in the State, more than 60.9 million acres are owned and controlled by the Government. This leaves only about 9.2 million acres in private ownership. It is small wonder then that the citizens of the State of Nevada are vitally concerned with the policies, practices, and regulations of the Federal agencies controlling these lands. These agencies literally control the economic life of many of the basic industries in the State.

This is particularly true of the livestock industry which must of necessity depend heavily upon Federal lands for much of its forage. I cite this statistical information merely to bring into focus the grave concern that has been expressed to me by the citizens of the State over the recent announcement of the increase in grazing fees by the Secretaries of Agriculture and Interior.

Others will undoubtedly go into considerable detail regarding the magnitude of this increase, and I, therefore, will not elaborate on this at this time except to say that this increase, as announced by the Bureau of Land Management, will approach 375 percent over a 10-year period. Now, if you want to break this down on a yearly basis, it means that the most of public land forage will increase 37 percent each year. I wonder how many industries in this country can absorb an increase in cost of this magnitude and still exist. It should also be pointed out that these costs cannot automatically be passed along to the consumer, as is the case in some industries, but by and it means that the cost of public land forage will increase 37 percent. If they cannot carry this increased burden, their alternative, of course, is to go out of business. This is just about what is in store for many of the livestock operators in Nevada if there is not some modification of this proposed grazing fee increase. Economic hardship and the elimination of one of the State's oldest and most basic industries will result unless some means can be worked out that will substantially lessen the impact of this fee increase.

I could go to great length and cite in considerable detail the hardship that the fee increase will bring to the livestock industry of Nevada. However, as we have many witnesses that we must hear today, and tomorrow, I will not dwell further upon this aspect of the fee problem. There is, however, one other point regarding the imposition of this new fee system that I want to mention.

As all of you are aware, I am a member of the Public Land Law Review Commission that was established in 1964. This Commission is charged with the duty of reviewing all public land laws and submitting a report and recommendations by June of 1970. That is only about 15 months away. As a member of that Commission, I know that studies such as this are now underway. Neither I nor anyone else can predict at this time what those recommendations may be or what legislation may be enacted as a result. However, it is entirely possible that those recommendations and the subsequent legislation may be entirely inconsistent with the present increase and grazing fee formula change.

I understand that the Departments of Agriculture and Interior have spent in the neighborhood of \$900,000 on these fee studies. Personally, I am convinced it was a grave mistake to authorize a study on one particular phase of the public land laws when another arm of the Government was engaged in a complete overall review of all public land laws and practices.

I think that it has been the position of Chairman Aspinall, and it has also been my position, that major changes in either the law or policy relating to the public lands should be held in abeyance until the Public Land Law Review Commission has completed its studies. If an increase in the present grazing fees is called for, such increases can be made under the long-established fee formula. It is not necessary, and I think it is inappropriate, to change the fee formula at this time.

Much more could be said regarding the timing of this fee increase, and the effort to change the fee formula at this particular time. However, because of the shortness of our hearing time, I will withhold further comment and permit others an opportunity to be heard.

I recognize the chairman of the full Interior Committee, Congressman Aspinall.

Mr. ASPINALL. I thank the chairman.

I ask unanimous consent that all Members of Congress, including the members of the committee, as of this time be limited to 3 minutes in the presentation of their remarks on this hearing.

Mr. BARING. Without objection, so ordered.

Mr. ASPINALL. Now, Mr. Chairman, rap me down when my 3 minutes expire because I have a longer statement than that.

STATEMENT OF HON. WAYNE N. ASPINALL, CHAIRMAN, HOUSE INTERIOR AND INSULAR AFFAIRS COMMITTEE

Mr. ASPINALL. Mr. Chairman and members of the Subcommittee on Public Lands, I want to take this time to make a few introductory remarks concerning these hearings that are being conducted by our subcommittee under your direction.

These hearings are being conducted in a sincere effort to determine if there is not some way to resolve the major differences of opinion that exist regarding the increase in grazing fees announced January 14, 1969, by the Bureau of the Budget and by the Department of Agriculture and Interior.

The problem of establishing a grazing fee is not new to the members of this committee. My own involvement in the present fee issue dates back to 1959 when, on October 12 of that year, I called to the attention of then Secretary of Agriculture Benson a report of the Comptroller General that was critical of the inconsistencies that existed between the many Federal agencies charged with administering grazing lands. Consequently and subsequently, I directed another letter to the Department of Agriculture, along these same lines—that is, urging that studies be started and action taken to determine what fee adjustments, if any, were necessary between the various agencies dealing with grazing matters. These agencies, as you know, are primarily the Forest Service, the Bureau of Land Management, and to a lesser extent the Bureau of Indian Affairs, Bureau of Sport Fisheries and Wildlife, and various Department of Defense agencies.

Apparently, as a result of this urging, an Interdepartmental Grazing Fee Committee was set up to make recommendations for a more uniform and equitable approach to the grazing fee problem facing the various agencies.

I do not have all the information relative to action taken by this Interdepartmental Committee, nor do I know exactly what it was doing between 1960 and 1966. I do know, however, that I heard little or nothing of its activities until late in 1965 when the present data collection survey was initiated. Thus, as far as my knowledge is concerned, some 6 or 7 years passed, from the time of my first letter and any positive move by these executive agencies to comply with my original request for a study.

Now, Mr. Chairman, in order to substantiate what I just said, I have here a group of letters and I would ask unanimous consent that they be placed in the record immediately following my statement.

Mr. BARING. Without objection, so ordered.

Mr. ASPINALL. Mr. Chairman, I would ask unanimous consent that this statement be printed in the record as if read.

Mr. BARING. Without objection, so ordered.

(The statement and letters follow:)

STATEMENT OF HON. WAYNE N. ASPINALL, CHAIRMAN, HOUSE
INTERIOR AND INSULAR AFFAIRS COMMITTEE

Mr. ASPINALL. Mr. Chairman and Members of the Subcommittee on Public Lands, I want to make a few introductory remarks regarding these hearings that are being conducted by our subcommittee chairman, Mr. Baring, today and tomorrow.

These hearings are being conducted in a sincere effort to determine if there is not some way to resolve the major differences of opinion that exist regarding the increase in grazing fees announced January 14, 1969 by the Budget Bureau and by the Departments of Agriculture and Interior.

The problem of establishing a grazing fee is not new to the Members of this Subcommittee. My own involvement in the present fee issue dates back to 1959 when on October 12th of that year I called to the attention of then Secretary of Agriculture Benson a report of the Comptroller General that was critical of the inconsistencies that existed between the many federal agencies charged with administering grazing lands. Subsequently, on March 4, 1960, I directed another letter to the Department of Agriculture, along these same lines—that is urging that studies be started and action taken to determine what fee adjustments, if any, were necessary between the various agencies dealing with grazing matters. These agencies, as you know, are primarily the Forest Service, the Bureau of Land Management, and to a lesser extent the Bureau of Indian Affairs, Bureau of Fish and Wildlife, and various Department of Defense agencies.

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I do not have all the information relative to action taken by this Interdepartmental Committee, nor do I know exactly what it was doing between 1960 and 1966. I do know, however, that I heard little or nothing of its activities until late in 1965 when the present data collection survey was initiated. Thus, as far as my knowledge is concerned, some 6 or 7 years passed from the time of my first letter and any positive move by these executive agencies to comply with my original request for a study.

In the meantime, I had more or less given up hope of receiving any recommendations on my original request. In 1964 Congress established the PLLRC and one of the functions of that Commission is a study of grazing and forage problems on the public lands. In addition, the Commission is also charged with the responsibility of reviewing all public land laws and submitting a report and recommendations on such by June 30, 1970.

I give this brief historical background in order to establish that this Committee has not, and is not opposed to a constructive review of grazing fees. In fact, I think the facts clearly indicate that our action

pointed out the need for such studies. However, when I brought this matter to the attention of the two departments in 1959 and 1960, I expected a study to be initiated promptly and completely within a year or so. When 4 or 5 years elapsed and no action was taken, I felt that other means must be taken to obtain the studies we needed. This brings us down to 1964 and the establishment of the Public Land Law Review Commission.

Since the establishment of the PLLRC, it has always been my position that major changes in the public land laws, or in the administration of the public lands should, where possible, await completion of the Commission's studies. Otherwise the work of the Commission will be made more difficult if confronted with constantly shifting laws, policies and procedures. In short, if we are not careful we will continue the conflicting patchwork system of public land laws that the Commission was directed to review. I want to make it clear that I recognize that situations of an emergency nature may arise that must receive immediate attention. I have always said that this Committee stood willing to act upon such emergency situations. However, I can't see where this present grazing fee situation is of an emergency nature. Evidently the executive agencies did not consider it much of an emergency either as 10 years have elapsed from the time I first brought this matter to their attention.

I have repeatedly expressed my views on the matter of changing the grazing fee formula prior to the completion of the studies by the PLLRC. As early as November 30, 1965, I directed a letter to the President of the United States fully setting out my views on this matter. My views have not changed since that time. Both Departments and the Bureau of the Budget are also fully aware of my position on this matter and have been so informed many times during the years since establishment of the Commission. Briefly, my position is simply this: Until the PLLRC completes its studies and submits its report in June of 1970, I do not favor piecemeal changes regarding the administration of the public lands. Matters of an emergency nature naturally must be handled on a priority basis, but I think there must and should be a clear showing of emergency or need for immediate action in each case and not merely one of administrative convenience.

I would like to further clarify my position on the matter of an increase in grazing fees. I want it clearly understood that I am not opposed to the charge of equitable grazing fees. I want to note here that I have intentionally not used either the words "reasonable fees" or "fair market value" as this matter is now under consideration by the courts, and I would prefer not to discuss it at this time. But, if an increase in the present grazing fee is called for under the existing fee formula, that has been in existence for several years, I think that increase should be put into effect. What I object to most is changing the method of calculating the fee at this time.

I would like to state for the record that this Subcommittee had scheduled grazing fee hearings for February 5 and 6, 1968. That is just a little over a year ago. At the request of the executive agencies involved, the Subcommittee agreed to a temporary postponement. That brings us down to today.

When one considers all aspects of this grazing fee problem, it is

quite apparent that this is not an emergency situation. It is also quite apparent that the grazing fees could be increased under the existing fee formula. I certainly hope that before these hearings are over, someone from the executive branch of our government can explain to me why it is necessary to change the grazing fee formula at this time and what exactly is to be gained by this maneuver. It is not just increased revenue as it is entirely possible to increase the fees under the existing fee formula.

I could make some additional comments on the method of calculating the new fees under the new formula, and particularly the exclusion of the permit value. However, I will merely say that I feel the government agencies misled the users into believing that *all* factors affecting the cost of producing livestock on the public lands would be considered and not just certain selected and hand picked factors that would give a predetermined result.

CHANGES IN GRAZING FEES, 1935-68

Following is a summary of grazing fees charged by BLM or the Grazing Service from 1935 to present :

Year:	Cost per AUM	
	Cattle	Sheep
1935.....	None	None
1936-46.....	\$0. 05	\$0. 01
1947-50.....	. 08	. 016
1951-54.....	. 12	. 024
1955-57.....	. 15	. 03
1958.....	. 19	. 034
1959-60.....	. 22	. 042
1961-62.....	. 19	. 034
1963-65.....	. 30	. 06
1966-68.....	. 33	. 066

The fees on Forest Service land vary from forest to forest and are, therefore, not uniform. However, using a yearly average, following is a representation of those averages for 5 year periods as well as the highest and lowest years.

Year	Forest Service averages (cost per AUM)	
	Cattle	Sheep
1933.....	\$0. 09	\$0. 02
1934 (lowest year).....	. 07	. 02
1938.....	. 14	. 03
1943.....	. 23	. 05
1948.....	. 40	. 100
1952 (highest year).....	. 64	. 15
1953.....	. 54	. 11
1958.....	. 39	. 09
1963.....	. 49	. 09
1968.....	. 51	. 11

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
OFFICE OF THE CHAIRMAN,
Washington, D.C., October 12, 1959.

HON. EZRA T. BENSON,
Secretary of Agriculture,
Washington, D.C.

DEAR MR. SECRETARY: The Committee has received a letter of September 24, 1959, from the Comptroller General transmitting a copy of his report of Septem-

ber 1958 containing a review of activities of the Forest Service in Regions 1, 2 and 5. The letter makes special reference to a recommendation, appearing on pages 28-31 of the report, which reads as follows: "To eliminate present inconsistencies in charges for grazing on Government lands managed by different Federal agencies, and to obtain fair compensation for use of these lands, we recommend that a joint study be undertaken with the objective of arriving at a uniform basis for establishing grazing fees." At the end of the recommendation appears this sentence: "We believe that the study will not be undertaken without Congressional sanction."

Of special interest to the Committee also in the Comptroller General's report are matters relating to the appraisal of Government timber and the misuse of mining claims situated on national forest lands.

The report indicates that where competitive bidding materializes at Forest Service timber sales, the bid prices are frequently greatly in excess of appraised values. The discrepancy between appraised value and bid price is apparently attributed mainly to the appraisal method used. The method used is an income-minus-cost approach, in which allowances for estimated processing and marketing costs and profit and risk to a purchaser are deducted from the estimated selling value of the products believed to be obtainable from the timber. No comparison or check is made with actual market prices paid for timber under similar circumstances in the locality.

It is remarked in the book "The Federal Lands", by Clawson and Held, page 212, that low appraisals of timber by Federal agencies seem to result particularly from the method of splitting the income residual, after deducting processing and marketing costs, between two elements: (1) stumpage (to the Government), and (2) profit and risk (to the purchaser).

The report recommends to the Regional Forester of Region 5 (California) that the legal status of doubtful mining claimants be determined and that action be taken to vacate sites that are being used for improper purposes, such as cabins, residences, and commercial establishments. It is stated that much work has been done on this by Forest Service mineral examiners and that corrective action will progress as rapidly as conditions permit.

I should like to have your comment on each of these matters; particularly, your view as to the need for and practicability of an interdepartmental study on grazing fees as recommended.

Sincerely yours,

WAYNE N. ASPINALL, *Chairman.*

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, D.C., March 4, 1960.

HON. EZRA TAFT BENSON,
Secretary of Agriculture,
Washington, D.C.

DEAR MR. SECRETARY: This letter refers to your letter written by Assistant Secretary E. L. Peterson on November 25, 1959, in which it is stated that the Department of Agriculture believes that grazing fees among Federal agencies should be made uniform and that any adjustments in fees should be based on a joint study by the Federal departments (Agriculture, Defense and Interior).

There is enclosed a copy of a letter of February 4 from Under Secretary of the Interior, Elmer F. Bennett, which states that the Department of the Interior would be pleased to cooperate in a joint study directed toward the objective of eliminating certain inconsistencies between Federal agencies with respect to grazing fees.

In view of the conclusions by both departments that a joint study would be beneficial, I suggest that such a study be made at the earliest convenience of the departments concerned. At the completion of the study a copy of the resulting report should be submitted to the Committee and at that time consideration will be given to the possibility of having it printed as a congressional document.

Please advise me periodically as to the progress being made in the study.

Sincerely yours,

WAYNE N. ASPINALL, *Chairman.*

PUBLIC LAND LAW REVIEW COMMISSION,
Washington, D.C., November 30, 1965.

The PRESIDENT,

The White House, Washington, D.C.

DEAR MR. PRESIDENT: I am very much disturbed over indications that your Administration has under consideration actions to modify the basic procedures under which grazing fees are established within grazing districts managed by the Bureau of Land Management. There appears to be a possibility that "long-range" changes might require recommendations for amendment of the law.

Nonetheless, I am advised that it is planned to proceed in an effort to establish new fee schedules (1) immediately on an interim basis, and (2) on a long-range basis before the Public Land Law Review Commission has completed its study of the same subject under a statute approved by you last year.

It seems to me to have been inherent in our action—by the Congress and by you—in the establishment of the Public Land Law Review Commission to have adopted the principle that, pending the Commission's report, except to meet urgent or emergency needs, there would be no change in the policies, practices, procedures, or laws subject to review by the Public Land Law Review Commission. Any other procedure or basis of operation would serve to undermine the usefulness and effectiveness of the Commission.

There are many areas of public land management in which study is overdue. The review undertaken by the Interdepartmental Grazing Fees Committee affects one such area. However, it is because a review of all areas must be coordinated, and management of the public lands looked at with a broad perspective, that we agreed upon the mechanism of a Public Land Law Review Commission to undertake the entire task. This did not mean that the work of the Interdepartmental Grazing Fees Committee must stop; but it does mean, in my opinion, that the results of that Committee study should not be implemented without (1) consideration thereof by the Commission, and (2) consideration in perspective with other studies made by the Public Land Law Review Commission. As I understand it, the timing of the Executive Branch study is such that it should be completed in ample time for consideration by the Commission before we submit our final report.

Of immediate concern is the possibility that established procedures will be modified or bypassed and an arbitrary, artificial, standard adopted as a basis for grazing district fees. I am referring, of course, to the proposal that, without regard to the normal operation of the existing formula, the Bureau of Land Management grazing fees be raised "to a level of comparability" with those in force by the Forest Service on national forest lands.

Aside from the fact that the Public Land Law Review Commission would be hampered, and conceivably might never complete its task, if policies and procedures it is required to study are continually changed during the review period, as a Member of Congress and as the Chairman of the House Committee on Interior and Insular Affairs, I am very much concerned about the failure of the Administration to bring to the attention of those concerned the proposed grazing fee increase for next year until a date when very little could be done. Although I am told that the plan for an increase in the grazing fees during the current fiscal year, to become effective at the beginning of the next "fee year" on March 1, 1966, was "agreed upon" last December, the users were not approached until it was brought before the non-statutory National Advisory Board Council at a meeting November 18, 1965. The proposed increase has not yet been discussed with the statutory district advisory boards.

I have previously suggested to the Secretary of the Interior that if it is desired to do away with the advisory board system that recommendations to that effect should frankly be made and implemented. It is a cruel sham to make it appear that the advisory boards can have a voice in decisionmaking on a question as complex as this when the time for the final decision is so near a hand. As you know, the fiscal year 1967 budget which you will submit to Congress in January will reflect the anticipated revenue from grazing fees. In order to permit its printing, this budget will, of course, receive final approval sometime before it is submitted. This means that less than a month remains before a final decision is made. Quite obviously, the detailed data required from graziers as a basis for intelligent objective evaluation of a proposed fee increase cannot be compiled.

In view of our joint commitment to the principle that a comprehensive review of public land law and administrative procedure is necessary, I respectfully suggest that you use your offices to assure that there is no modification of the basis on which grazing fees are determined until such time as the Public Land Law Review Commission has had an opportunity to study the matter and file its report and recommendations.

Respectfully yours,

WAYNE N. ASPINALL, *Chairman.*

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, D.C., November 10, 1967.

Mr. EDWARD P. CLIFF,
*Chief, Forest Service,
Department of Agriculture, Washington, D.C.*

DEAR MR. CLIFF: I am very much disturbed over indications that the Bureau of Land Management and the Forest Service have under consideration plans which, I am informed, would substantially alter the method of calculating grazing fees and which would, in all probability, substantially alter fee schedules. I am further informed that these changes would apply to all western grazing district lands administered by the Bureau of Land Management as well as to all national forest lands created from the public domain. As you are aware, this Committee has a continuing interest and responsibility in the administration of natural resources from these lands, all of which are intimately tied to the basic economy and well being of the western states.

At this time this Committee has not been informed by either the Bureau of Land Management or the Forest Service of the results of the study undertaken by the Interdepartmental Grazing Fees Committee which, I understand, cost approximately \$900,000 and was financed by government funds. While I am aware that a study of this nature was long overdue, I am as firmly convinced that this Committee must be kept fully informed and will want to carefully review any significant changes in procedure or policy that might result from the study. I am sure you are aware of the importance of this matter and appreciate my concern.

Because of the importance and wide-ranging impact of any alteration in the procedure by which grazing fees are determined, this Committee intends to schedule hearings on this matter as soon as practicable after the first of the year. In view of this, I suggest that any final decision to implement a change in the procedure or method of determining grazing fees be deferred until that time.

Your consideration of this matter will be greatly appreciated.

Sincerely,

WAYNE N. ASPINALL, *Chairman.*

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, D.C., November 10, 1967.

Mr. BOYD L. RASMUSSEN,
*Director, Bureau of Land Management,
Department of the Interior, Washington, D.C.*

DEAR MR. RASMUSSEN: I am very much disturbed over indications that the Bureau of Land Management and the Forest Service have under consideration plans which, I am informed, would substantially alter the method of calculating grazing fees and which would, in all probability, substantially alter fee schedules. I am further informed that these changes would apply to all western grazing district lands administered by the Bureau of Land Management as well as to all national forest lands created from the public domain. As you are aware, this Committee has a continuing interest and responsibility in the administration of natural resources from these lands, all of which are intimately tied to the basic economy and well being of the western states.

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mately \$900,000 and was financed by government funds. While I am aware that a study of this nature was long overdue, I am as firmly convinced that this Committee must be kept fully informed and will want to carefully review any significant changes in procedure or policy that might result from the study. I am sure you are aware of the importance of this matter and appreciate my concern.

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Your consideration of this matter will be greatly appreciated.

Sincerely,

WAYNE N. ASPINALL, *Chairman.*

U.S. DEPARTMENT OF AGRICULTURE,
FOREST SERVICE,
Washington, D.C., November 17, 1967.

Hon. WAYNE N. ASPINALL,
*Chairman, Committee on Interior and Insular Affairs,
House of Representatives.*

DEAR MR. CHAIRMAN: Thank you for your letter of November 10 regarding the modification of the grazing fee structure on public lands.

I certainly agree that your Committee should be fully informed before any final decision is made. The Committee will have access to the data, its evaluation, and the alternate approaches of implementing a new fee structure. We will be pleased to present this material at a hearing or in writing to your committee as it becomes available. Your proposal to hold the hearings as soon as practicable after the first of the year is agreeable to us.

I appreciate your interest and concern because of your participation in the determinations that led to agreement that a uniform approach to grazing fees on public lands was desirable and that a joint study be made. This, as you undoubtedly recall, led to the establishment of an Interdepartmental Grazing Fee Committee in 1960 consisting of members from the Departments of Agriculture, Interior and Defense. This Committee participated in a review of Federal land administration for livestock grazing. On April 17, 1967, this Committee sent to the respective Secretaries a report with recommendations for changes in user charges (grazing fees) policy. A copy of this report is attached for your information.

Concurrently, the Bureau of the Budget was engaged in a study of charges for the use of all federally owned natural resources including grazing. In June 1964, the Bureau issued a "Natural Resources User Charge Study" report which supplemented Bureau of the Budget Circular A-25, September 1959, and provides the principles for the application of fees, permits, and other charges for the use of federally owned natural resources.

Essentially, the Bureau of the Budget principles provide that fees should be related to fair market value for the use of Federal ranges. The Bureau of the Budget fee principles provide that (1) a uniform basis should be used by all Federal agencies in establishing grazing fees; (2) fees should be based on the economic value of the use of public grazing land to the user; and (3) economic value should be set by an appraisal that will provide a fair return to the Government and equitable treatment to the users.

The Bureau of the Budget fee principles were followed by the Bureau of Land Management and the U.S. Forest Service. The Forest Service program in developing a new grazing fee structure consisted of: (1) background studies to explore alternative methods for determining grazing values on Federal lands; (2) development of a model for estimating grazing values and fee levels; (3) studies to determine the impact of fee adjustments; and (4) a comprehensive reevaluation of the fee structures on the National Forests and Taylor Grazing Districts.

These background studies were carried out by the Economic Research Service, and several of the Western State universities. They resulted in the development of a logical economic framework within which public land grazing values can be determined.

Based on the background studies, the Statistical Reporting Service was engaged to plan and carry out a major data collection project for the Forest Service and the Bureau of Land Management. This project was designed to provide data necessary to estimate values on some 98 National Forests, 19 National Grasslands, and 55 Bureau of Land Management grazing districts in the Western States as a basis for evaluating current fee structures. Some 10,000 individuals were interviewed in the survey, including Forest Service and Bureau of Land Management grazing permittees and ranchers who are not permittees but who lease private grazing lands. Information was obtained on grazing permit values, lease rates on private lands, and non-fee costs of using public and private lands.

The leaders of the American National Cattlemen's Association and the National Wool Growers Association, cooperated fully with Government agencies in the survey. They asked their membership to provide factual information relating to cost to graze livestock on both public and private lands. Their members responded well to this request. Throughout the preliminary evaluation of the survey material the economists of the Government agencies and the American National Cattlemen's Association had frank and open discussions about this data.

Since the livestock industry was so vitally interested in and had participated in the survey it was decided to meet jointly with their representatives to frankly discuss the current findings of the survey and studies data, and to fully explore alternate approaches of incorporating this data into a revised fee structure.

This joint industry-Forest Service meeting was held in Denver, Colorado, on October 11 and 12, 1967. I considered this to be a very worthwhile meeting. Preliminary evaluations of the survey and study data and the economic impacts of alternate fee actions were discussed frankly and openly. Shortly after the conclusion of the Denver meeting, the Forest Service prepared a summary of the discussions that occurred. A copy is enclosed for your information.

I frankly told the group at the conference that we had further evaluations to make before recommending new fee levels. I also stated that a final decision of acceptance of the revised fee structure and the recommended fee levels will not be made until additional valuations of the survey data have been made and the entire matter has been discussed with the Secretary of Agriculture and other Administrative officials. I did point out though that the Forest Service is scheduled to provide a new basis for determination of grazing fee levels on the Western National Forests in the 1968 grazing season.

It has been my intent to report in detail to your Committee. On page five of the Interdepartmental Grazing Fee Committee report it is recognized that a report be submitted to the House Committee on Interior and Insular Affairs. However, as yet we do not have a complete analysis of the survey data, nor has the position statement submitted by the livestock industry been fully evaluated. I also have not yet discussed these matters in depth with Secretary Freeman and other Administrative people. I hope to do this soon. This matter will also be discussed with Secretary Freeman's Multiple Use Advisory Committee when it meets in Washington, D.C., on December 12, 13 and 14.

I sincerely appreciate your interest and concern about the matter.

Sincerely yours,

EDWARD P. CLIFFE, *Chief.*

U.S. DEPARTMENT OF THE INTERIOR,
BUREAU OF LAND MANAGEMENT,
Washington, D.C., November 21, 1967.

Hon. WAYNE N. ASPINALL,
*Chairman, Committee on Interior and Insular Affairs,
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: We are pleased to reply to your letter of November 10, 1967, in reference to the grazing fee study and possible changes in the methods for determining grazing fees on public lands. We agree this is an important question to the range livestock industry that will require careful evaluation by all concerned before any decisions to change are implemented.

The joint Bureau of Land Management and Forest Service grazing fee study is nearing completion. More than 14,000 interviews were conducted with 4,271 private lessees, 3,828 BLM permittees and 5,970 Forest Service permittees to determine costs of grazing on BLM, Forest Service, and private lands. The study was en-

dorsed by the National Advisory Board Council and conducted with the cooperation of the National Wool Growers and American National Cattlemen's Associations.

Bureau personnel are in the process of evaluating the results and determining the correlation between the many variables involved. This work should be completed early next year. There will be no change in the method of determining the BLM grazing fees for 1968. Members of the National Advisory Board Council Grazing Fee Committee were advised by telegram on November 8, 1967, that grazing fees for 1968 would be based on the existing formula.

Sincerely yours,

JOHN O. CROW, *Acting Director.*

U.S. DEPARTMENT OF AGRICULTURE,
FOREST SERVICE,
Washington, D.C., January 29, 1968.

HON. WAYNE N. ASPINALL,
*Chairman, Committee on Interior and Insular Affairs,
House of Representatives.*

DEAR MR. CHAIRMAN: Your letter of November 10, 1967, informed us that the Committee on Interior and Insular Affairs intended to schedule hearings on grazing fees as soon as practicable after the first of the year. My November 17, 1967, reply advised that your proposal to hold such hearings was agreeable to us and that we would be pleased to present the fees study data, its evaluation, and alternative approaches of implementing a new fee structure. We informally agreed that the dates of February 5 and 6, 1968, appeared satisfactory for the hearings.

Although our fees study evaluation has progressed well, we now find that agency review of this matter cannot be completed in time for a hearing on the proposed February 5-6, 1968, date. Furthermore, it is difficult for us to predict when this very comprehensive and significant work can be finalized. In view of the recognized interest of your Committee in this matter, we ask if you might see fit to postpone the hearings to an indefinite date.

Before finalization of a revised fee structure resulting in significant increase in grazing fees, or, including in the fee structure the permit value or a portion thereof, I assure you we will make the results of the studies and my recommendations available to you and your Committee. We would provide adequate time for review of the material and to set hearings if you then feel they are necessary.

Sincerely yours,

EDWARD P. CLIFF, *Chief.*

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, D.C., February 1, 1968.

MR. EDWARD P. CLIFF,
*Chief, Forest Service,
Department of Agriculture, Washington, D.C.*

DEAR MR. CLIFF: In view of your letter of January 29, indicating that your study of grazing fees would not be completed in time to permit you to make a full presentation of facts at this Committee's proposed hearings on February 5-6, I am generally agreeable to a temporary postponement of the hearings as you requested.

I am not certain that I fully understand your last paragraph. However, if it is your intention to implement any new formula for calculating grazing fees, either with or without including in the new fee structure the permit value or a portion thereof, I would request that this Committee be advised at least thirty days prior to your action in order to permit the scheduling of hearings. As I indicated in my earlier letter of November 10, I am of the opinion that any final decision to implement a change in the procedure or method of determining grazing fees should be deferred until this Committee has an opportunity to hold hearings. The thirty day advance notice would permit scheduling of such hearings.

If this committee can be assured of such notice, the February hearings will be postponed until such time as your study and review is completed.

Sincerely,

WAYNE N. ASPINALL, *Chairman.*

U.S. DEPARTMENT OF AGRICULTURE,
FOREST SERVICE,
Washington, D.C., February 13, 1968.

HON. WAYNE N. ASPINALL,
Chairman, Committee on Interior and Insular Affairs,
House of Representatives.

DEAR MR. CHAIRMAN: Thank you for your letter of February 1, in which you agreed to a temporary postponement of the February 5-6 hearings.

The status of the fee study is essentially unchanged since my January 29 letter to you. Additional agency deliberations remain necessary before a firm position can be taken by the Forest Service concerning the grazing fee for the 1968 grazing season.

As stated in previous letters to you, when we have completed agency review on this matter we will be glad to make available to you and your House Committee on Interior and Insular Affairs the results of our data evaluations, the alternative approaches of implementing a new fee structure and formula, and our recommendations. We will notify you and the Committee 30 days prior to planned implementation of a new fee formula.

Sincerely yours,

EDWARD P. CLIFF, *Chief.*

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., November 13, 1968.

HON. WAYNE N. ASPINALL,
Chairman, Committee on Interior and Insular Affairs,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is in further reply to your letter of September 17 concerning the Section 15 grazing regulations.

As your letter pointed out, the disputed provision on access is only one of seven factors to be considered in adjudicating conflicting applications. The entire section, however, is new to the grazing regulations. For the most part these factors are oriented toward enhancing the livestock operator's position. The historic use provision will assist in providing the operator better tenure and stability; the proper range management and use of water provision is a direct accommodation of the livestock users in the Southwest who control water rather than land; the items covering proper use of preference lands, and the general needs of the applicants, are likewise for the benefit of the livestock operators.

We recognize that the access provision is highly controversial. Our proposed rule-making generated much comment on this subject. There were 71 letters specifically protesting the access provision of which 15 were from livestock organizations, 52 individual ranchers, 1 State government, 2 soil and water conservation districts and 1 private organization. On the other hand, 136 letters specifically supported the access provision, of which 3 were from State governments, 1 private organization, 3 wildlife organizations, 21 recreation organizations, 8 conservation organizations and 95 individuals.

On the basis of these comments and the majority and minority views of the Special Committee on the Section 15 Regulations we felt that the access issue was very clearly drawn. Accordingly, I felt that any further discussion by the Special Committee would have been fruitless, and could conceivably have exacerbated the situation.

We are pleased that you concur in the objective of this provision and we agree that it is most essential that sound judgment be used in carrying it out. For this reason Bureau of Land Management personnel are moving very cautiously in this area and are carefully devising detailed procedures and instructions for handling these situations when they arise.

It is difficult to predict how often the access provision will be utilized annually, since the subject will be initiated only by an applicant in a competitive situation, not at the behest of the Government. It may well be involved in very few cases a year initially.

We will keep you fully informed of any cases where the award of a lease to one applicant in preference to another is based primarily on the offer by the successful applicant of public access over the private preference lands.

Sincerely yours,

(Signed) STEWART.

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., December 2, 1968.

Hon. WAYNE N. ASPINALL,
Chairman, Committee on Interior and Insular Affairs,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: We are glad to enclose various documents and otherwise supply information which you have requested through Mr. McFarland in regard to the proposed change in grazing fees structure for public lands.

As you specifically requested, we enclose a copy of the Bureau of the Budget's Circular 25 entitled "User Charges" together with the further guidance it set forth in 1964 in a document entitled "Natural Resources User Charges: A Study."

We are also enclosing a duplicate of the packet which Secretary Udall furnished you on November 14, 1968. Additionally, we are resubmitting a study entitled "Review of Federal Land Administration for Livestock Grazing," issued January 1967. This report was the product of an Interdepartmental Grazing Fee Committee organized some years previously at your request. Its chairman was R. M. DeNio, Forest Service. Coy Powell, Office of the Secretary of Defense, and Glen Fulcher, Bureau of Land Management, completed the committee. Mr. Fulcher served by appointment of John A. Carver, Jr., Assistant Secretary of the Department of the Interior. Harold Ramsbacher, Bureau of Land Management, and Lynn Rader, Forest Service, served as the committee's staff.

In 1966 the Statistical Reporting Service, Department of Agriculture, conducted a survey of range costs in the West which the Forest Service, the Bureau of Land Management, representatives of national livestock associations, and the Bureau of the Budget had jointly designed. It is entitled "Western Livestock Survey 1966." The procedural handbook and questionnaires were included in the packet which Secretary Udall furnished you on November 14, 1968. The format of the 1966 Survey was discussed with the Industry Use Committee of the National Advisory Board in March 1966. Its members include: Bruce Anderson, Colorado, oil and gas; Arnold Bolle, Montana, Forestry; Edward W. Clyde, Utah, petroleum; W. Howard Gray, Nevada, mining; Vard H. Heaton, Arizona, sheep; Ray Lincoln, Idaho, sheep; J. Leonard Neal, Arizona, cattle; Roy Young, Nevada, cattle; Doyal Stiles, Idaho, wildlife; George N. Swallow, Nevada, sheep.

In 1967 the Bureau of Land Management contracted with Arthur D. Little, Inc. for an independent statistical analysis of resultant data. The analysis supported previous findings.

The respective professional staffs of the Forest Service and the Bureau of Land Management had the results of the Survey under consideration since early 1967. In May 1968 Edward Cliff, Chief of the Forest Service, and Boyd L. Rasmussen, Director of the Bureau of Land Management, asked the Administrator of the Statistical Reporting Service to appoint a statistician as Chairman of a Technical Grazing Fee Committee. Dr. Harry C. Trelogan, Administrator, appointed Dr. Earl E. Houseman, Director, Standards and Research Division, Chairman. Their respective superiors appointed the following members: Stanley Randall, Forest Service; Harold Ramsbacher, Bureau of Land Management; Warren Bailey, Economic Research Service; Charles Caudill, Statistical Reporting Service; and Paul Krueger, Bureau of the Budget, ex officio.

We enclose a copy of the committee's report dated October 24, 1968, and a supplemental reported dated November 12, 1968.

From time to time Secretary Udall has appointed a special Grazing Fee Committee of the National Advisory Board Council. The membership has included: Bruce Bowler, Idaho, Outdoor Recreation; Edward Clyde, Utah, Petroleum; Dan H. Hughes, Colorado, Sheep; Ray Lincoln, Idaho, Sheep; George C. Ricca, Arizona, County Government; Gerhard N. Rostvold, California, Urban-Suburban Development; John E. Wood, New Mexico, Wildlife; and Roy Young, Nevada, Cattle. In addition, as Council chairman and vice chairman, respectively, Gene J. Etchart, Montana, Cattle; and Alva D. Brownfield, New Mexico, Cattle; were designated *ex officio* members.

The Committee met for progress briefings on August 4, 1967, at Denver, Colorado.

The Special Committee has been reconstituted and will meet in San Francisco on December 16 to consider the proposed change in formula. The National Advisory Board itself will meet on December 18 to consider the proposed change.

We have kept interested organizations briefed on data and points of departure for possible recommendations from time to time. These include: the respective Public Lands Committee of the American National Cattlemen's Association, and the National Wool Growers Association, the Public Lands Council and the Natural Resources Council. We have also furnished the staff of the Public and Law Review Commission data as it has been released.

Sincerely yours,

IRA WHITLOCK,
Assistant to the Secretary.

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, D.C., December 5, 1968.

HON. STEWART L. UDALL,
Secretary of the Interior,
Department of the Interior, Washington, D.C.

DEAR MR. SECRETARY: I have received your letter of November 13 and the additional information furnished by letter of December 2 with respect to the proposed grazing fee adjustments by the Bureau of Land Management. I also wish you to know that I have received literally hundreds of messages of protest from livestock people who will be affected in 1969 and in the years ahead by the proposed increases in user fees for grazers.

In the first instance, may I tell you that I know something of the problems that are involved in such a program. Also, I want you to know that it has been my position that all grazers, timbermen, recreationists, mineral users, et cetera, should pay equitable fees for the use of public lands. However, I am not certain that the proposed approaches of Bureau of Land Management and the Forest Service are correct or timely. I have not had the time to give the background material the necessary study it should have. Neither shall I have sufficient time between now and the first of the year.

While I have known of the desire of the government agencies involved to make these increases, I have been of the opinion that final determination should wait additional consideration by the interests involved as well as the results of consideration by the Public Land Law Review Commission which is making several studies in depth of user fees of all kinds on the public lands.

Personally, I have difficulty of understanding why the Administration which will go out of office in the near future should attempt to work its will on the matters involved in these proposals just before the new Administration takes over. Because I am of the opinion that we are just asking for additional trouble, I would respectfully request that the final decision in this matter be postponed until the representatives of the new Administration have had an opportunity to consider it and make the decision which can and should be binding for at least the next four years. I make such request with the full realization that this may make it difficult for the changing of the fee structure for the year 1969.

I am,

Sincerely yours,

WAYNE N. ASPINALL, *Chairman.*

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., December 26, 1968.

HON. WAYNE ASPINALL,
Chairman, Committee on Interior and Insular Affairs,
House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: I have your thoughtful letter of December 5, 1968, concerning the proposed grazing fee adjustments by this Department. I appreciate your position as not only a representative of the broad public interest of your State, but also as Chairman of an important Congressional Committee.

Knowing of your thorough awareness of the background on this subject over the years, I will not go into it at this point. The information previously furnished to you contains most of this detailed historical explanation.

I too have received hundreds of letters and other communications both in opposition and in support of the proposal. To date, more letters have been received supporting the proposal than in opposition. The advisory boards have reviewed the proposal and have submitted comments and recommendations. All of these will be reviewed and fully considered before a final decision is made. The recommendations from the advisory boards, the National Advisory Board Council, and the national livestock associations indicate that the basic issue involved is whether interest on the value of the grazing privilege (permit) should be allowed as an annual operating cost. I have not included this interest factor in computing the proposed fee formula. To do so would recognize a proprietary interest in the public lands. Section 3 of the Taylor Grazing Act is clear in this regard and it is beyond my purview to authorize such an interest.

I agree with your position that users of public land resources should pay equitable fees. It is on this point that I believe the Department now has the basis for meeting long-standing grazing fee pricing objectives. Our close association with the Forest Service in our early studies, design and conduct of the 1966 survey and evaluation of its data has resulted in a proposal that would meet the need for uniformity among the various Governmental agencies. This proposal would obtain a fair return for the Government. Our approach for reaching an appraised fair market value fee over a ten-year period has been designed to allow time for the rancher to adjust his business operations to the higher rate.

The 1966 Western Livestock Survey is the most comprehensive study ever conducted in appraising the value of public land livestock forage. We had top professional economists and statisticians working on this under the direction of the Statistical Reporting Service of the Department of Agriculture.

The Department has been aware of the importance of this sensitive subject to the livestock industry and has conscientiously worked closely with its leaders from the beginning. We had excellent cooperation with the livestock industry in developing the study model and in conducting the survey. Members of the industry, the National Advisory Board Council and others with an interest in grazing fees have been kept fully informed on the status of the study as it progressed and the results as they evolved. On June 25, 1968, the American National Cattlemen's Association and the National Wool Growers Association met with officials of this Department and the Department of Agriculture to review the results of the study. Again, as late as September 5, 1968, at a similar meeting in Reno, Nevada, the matter was discussed. At no time has the industry indicated there were any discrepancies in the resulting data.

In reviewing the history of this subject, I find that past Administrations have encouraged us to move toward fair market value as the basis for computing grazing fees. However, for various reasons, delays have occurred over several years. Since 1966, we have been making detailed analyses of the survey data, looking at it from every identifiable practical angle. Much of the analytical work during 1968 has involved pooling the Bureau of Land Management data with the Forest Service data. This has involved a Technical Committee from Statistical Reporting Service, Economic Research Service, Forest Service, Bureau of Land Management and Bureau of the Budget.

I am mindful of the Public Land Law Review Commission's efforts and the Department looks forward to its recommendations. As you are aware, this Department must continually keep current in its management responsibilities. It cannot function under a freeze on policies and procedures under existing laws.

Again, I wish to assure you that fullest consideration is being given to this matter, including your suggestions.

Sincerely yours,

STEWART L. UDALL.

Mr. ASPINALL. Mr. Chairman, the main problem that we have here is to determine why the grazing fees were raised in the manner in which they were raised without thoroughly considering the recommendations of the users. They were largely disregarded in the latter phases of this study.

I yield the balance of my time.

Mr. KYL. Mr. Chairman, I ask unanimous consent that all members

of the committee may be given permission to insert their comments in the record at this point.

Mr. BARING. Without objection, so ordered.

Those that are not already on the list?

Mr. KYL. Yes.

Mr. BARING. Without objection, so ordered.

(The documents follow:)

STATEMENT OF HON. E. Y. BERRY, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF SOUTH DAKOTA

Mr. BERRY. Mr. Chairman, I am Congressman E. Y. Berry representing the Second Congressional District of South Dakota. It is my pleasure to present this statement regarding the grazing fee increases on public lands issued jointly by the Departments of Agriculture and Interior on January 14, 1969.

First, I commend this subcommittee for scheduling these hearings on grazing fee increases. This is a most serious problem and the recommendations that may come out of this hearing relative to grazing fee costs are of great importance to public lands users not only in South Dakota, but in the rest of the western states as well.

To better understand the problem, I think it is important to note that cattle and sheep have grazed the public domain lands for many years. In 1934 Congress passed the Taylor Grazing Act to stop uncontrolled grazing and to provide for orderly use of the lands, as well as to stabilize the dependent livestock industry.

A grazing fee of \$0.05 per animal unit month was established in 1936. This fee prevailed from 1936 to 1946. From that time the fee has been increased periodically through negotiation with the livestock industry. Beginning in 1958, the fee was set through a formula using livestock prices as an index. The fee gradually increased to \$0.19 in 1962. It was increased in 1963 to \$0.30 and in 1968, was hiked to \$0.33.

The joint decision, taken by the Departments of Interior and Agriculture, would raise grazing fees on Bureau of Land Management and Forest Service lands from the current average rate of \$0.33 per AUM to \$1.23 per AUM. This is an increase of 250 percent on Forest Service and about 400 percent on BLM land. Despite the fact this will be accomplished in incremental stages over the next 10 years, this is the most drastic adjustment of grazing fees ever imposed.

It is little wonder the livestock industry is concerned, the serious impact of the new fee schedules fully justifies consideration by Congress. The impact will be felt not only by the livestock permittees grazing on Federal lands, but also by many communities whose economy is dependent primarily on the livestock industry. This is the industry that provides the taxes to build roads, schools and other necessities.

As in many western states, including South Dakota, the livestock industry is the major user of public lands. The Bureau of Land Management administers over 277,000 acres of public lands in 29 South Dakota counties, and issues 374 grazing permits for 50,620 cattle and horses and 88,500 sheep and goats.

Even more significant is the fact the Forest Service controls 1.9 million acres in South Dakota. Nearly 1,000 grazing permits for 74,000

head of cattle and 8,200 sheep are issued by the Forest Service to grazing interests.

The increase in grazing fees will hit hardest against the small to medium sized rancher. The livestock industry, already under the pressure of ever-increasing red meat imports, is a marginal earner at best. This is true because of Federal policy which permits almost unlimited imports of red meat. The American stockmen are required to compete against stockmen in Australia and New Zealand where almost all the land is publicly owned and grazing fees are almost insignificant because the Australian government gives a sizable subsidy to the operator in this manner. Here, we not only do not provide a subsidy, but we decrease whatever meager benefit there may be from using public lands and then force the stockmen to greater competition in his product through ever-increasing imports.

Government study figures show that users of grazing permits are receiving two percent or less on their investment. Over 50 percent obtain between one percent and three percent while about one-fourth receive less than one percent return.

Reliable estimates indicate that 25 percent of the individual ranches now holding grazing permits will be liquidated along with capital assets valued at \$350,000,000.

If this is what the outgoing administration had in mind, then they were on the right track because implementation of these grazing fee increases will accomplish this goal. If the "bird-watchers" of the previous administration had in mind the choking out of livestock on public lands in order to make more room for wildlife, then it is apparent they have accomplished their purpose because this rate increase of 350 or 400 percent will accomplish that purpose.

By its own admission, the Forest Service agrees that an immediate effect of raising fees will be an increase in production costs and a corresponding reduction in ranch income. They add that the overall effect of increased fees would likely be a reduction in the value of permits, as ranchers withdraw their operations from thousands of acres of land that will become increasingly unprofitable.

No one is against the premise that the Federal Government should receive a fair return for the use of public lands by grazers. However, driving the livestock industry out of business will not create a "fair return."

One major difference between grazing on Federal lands and leasing private lands is the fact that before any livestock producer can secure a permit to graze on Federal lands, he must qualify with definite commensurability requirements. He is also required to have a preference right based on prior use because in many cases the forage is inadequate for all users.

There is no such commensurability requirement for leasing private grazing lands.

In addition, to qualify for a grazing permit on Federal lands, a livestock producer must maintain a substantial investment in his private ranch property. This investment in the ranch property is a cost the livestock producer must bear to secure the permit. Therefore, the Federal grazing lands and the private ranch lands form an economic unit and are often inseparable. In most cases, either would be worthless without the other.

Yet on the other hand, the private grazing land lessee is not required to invest funds in lands containing these special attributes or values. Consequently, his costs of doing business are therefore, to a certain extent, less than his costs would be if he sought to qualify for a permit to graze on the Federal lands.

The livestock producer knows that he must be prepared to pay his full share for the Federal forage resources that he needs for an economic grazing operation, however, the question before us is whether the imposition of these grazing fees is truly fair.

Do they coincide with the intent of Congress "to stabilize the livestock industry dependent upon the public range" and do they conform to the Forest Service's own regulation that "the users be afforded equitable treatment"?

The question is whether all of the cost factors involved in the grazing fee study were taken into account, and if the "fair market value" standard of this directive coincides with the "reasonable fee" limitations outlined in Section Three of the Taylor Act.

There is another area which disturbs me. It is apparent flagrant action by the Departments of Interior and Agriculture in issuing these new regulations. They were aware that Congress had created the Public Land Law Review Commission to engage in an intensive study of public land utilization including grazing fee charges. Its report and recommendations will be due in 1970. Congress will give prompt and full consideration to any recommendations in correcting or updating public land law procedures and regulations.

In light of this upcoming report, the departments were defiant of Congressional intent by issuing these directives before the Commission's study is revealed.

The fee increases are unrealistic. This subcommittee should consider legislation rescinding the fee increases until such time as the results of the Public Land Law Review Commission report are available.

STATEMENT OF HON. MANUEL LUJÁN, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW MEXICO

Mr. LUJAN. Mr. Chairman, the livestock industry is one of the most important industries in the district which I represent, and it is of paramount importance to many of my constituents that a fair and equitable solution be arrived at in this problem of grazing fee increases. It is my feeling that the current increase has been hurried into effect, and this is unfortunate.

Many of the livestock growers in northern New Mexico are extremely small operators—the average permittee on Carson and Santa Fe National Forests, for example, runs only 17 head—and for them this increase may possibly mean the difference between economic survival and extinction. Larger operators may be adversely affected also, and a healthy livestock industry is clearly essential to a healthy economy, but I do not think due consideration was given to the effects this increase will have on marginal operations.

Further, I find it difficult to find reasons why this entire matter could not have waited until the report of the Public Land Law Review Com-

mission was published. I am sure that the Commission, headed by the honorable Chairman, has studied all the problems attendant to a grazing fee raise carefully, has gathered a great deal of important evidence on the subject, and I think that the Forest Service and the Bureau of Land Management would do well to hold their fee increase program in abeyance until the Public Land Law Review Commission study is made public.

STATEMENT OF HON. DON H. CLAUSEN, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF CALIFORNIA

Mr. CLAUSEN. Mr. Chairman, I appreciate this opportunity to render my comments and recommendations on this question of public land grazing fees.

There are many aspects of this increased grazing fee question that I feel merit the close attention of this subcommittee. For instance, we have heard testimony that the decision to raise public land grazing fees did not take into consideration all economic aspects of public land use.

Many of my constituents and their sheep and cattle associations participated in the overall studies conducted by the Federal agencies. They feel the Departments and the Federal Government under the previous administration have broken faith with the permittees, the cattle and sheep ranchers.

The major point of the controversy centers around the capitalized value of the grazing permit. The cattle and sheep people feel it should have been included as a cost factor and added to the study recommendations.

The Taylor Grazing Act is the established statute and has served as their guideline. If this is to be changed, it should, in my judgment, be done legislatively rather than ramming it through administratively while the Congress adjourned between sessions.

Also, with the Public Land Law Review Commission now considering all matters relating to public land policies, I think it is ill-timed and unfair to take this precipitous action.

What we are actually faced with is not whether the fair value concept is sound or not, but whose definition of fair value is to be adopted. Certainly, few would disagree with the ultimate objective that the Federal Government receive a fair return for the use of public lands for grazing. What is being questioned, however, is what constitutes a fair return.

Ranchers using public domain for range purposes will now pay 44 cents per head during 1969, as compared to 33 cents during 1968. The schedule now calls for graduated increases during the next 10 years until the fee reaches \$1.23—which is estimated to represent the fair market value of forage on public lands.

Yet, many lending institutions have warned that these new rules would threaten or destroy the base of collateral on many of their otherwise outstanding loans because they do not include the capitalized permit value. Many livestock producers say they just cannot meet these new grazing fee increase schedules and survive.

The rights and responsibilities of the permittees must be considered

and strengthened. In addition, they must be evaluated on a basis that considers all users of public lands and the impact they have on them.

Therefore, I urge this committee to carefully analyze the testimony of this hearing and advance a fair and equitable recommendation to the Public Land Law Review Commission.

Grazing is a legitimate land use and adds greatly to the overall public interest. In addition to payment for the grazing privilege, I know for a fact that many of those permittees perform land management responsibilities that would have to be provided for by additional personnel and more cost to the Government.

We need to strengthen our multiple-use land management concepts—not weaken them.

I suggest strongly that this Public Lands Subcommittee ask Secretary Hickel to suspend this fee schedule implementation, evaluate the testimony of this hearing, and give broader consideration to all economic factors involved before adopting any fee schedule as final.

STATEMENT OF HON. SHERMAN P. LLOYD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF UTAH

MR. LLOYD. I submit this statement in opposition to the grazing fee increase announced in the Federal Register of January 14, 1969, for lands administered by the Departments of Interior and Agriculture.

The policy to increase grazing fees does not, in my opinion, give full and proper recognition of the total costs of operating on public land, nor does it take into account the negative economic impact upon ranchers and communities in the western public land States.

The full effect of the increases will be particularly damaging, if not fatal, to the livestock industry of my own State of Utah, where it would not be possible to have a livestock industry without the reasonable use of public lands at reasonable cost to the user.

In Utah, the Federal Government owns and controls 35 million acres, or some 67 percent of the total land area. Of the total acreage under Federal ownership and control, nearly 65 percent is administered by the Bureau of Land Management, and 23 percent is administered by the U.S. Forest Service. Percentages of federally-owned land in the rural areas are, in many cases, higher than the State total. Public land policies, therefore, play an even more significant role in the economies of these rural counties, many of which could already be classified as economically depressed.

The small to medium sized operators, who constitute the bulk of the livestock industry of our State, will be particularly hurt by this new policy. To illustrate: Of the 1,794 operators holding permits to graze cattle on BLM land in Utah in 1967, nearly 91 percent of the permits were for herds of 200-head or less. Of the 519 operators holding permits for grazing sheep, 79 percent were for flocks of 2,500-head or less.

The cattle industry recognize that some increase for grazing on public lands may be justified, but the new regulations fail to recognize the value of a grazing permit as a cost of doing business for the rancher. Utah ranchers alone have an estimated \$33 million in capital assets tied up in these grazing permits, which are traded along with

other ranching assets at market prices. The announced increase, when fully implemented in the 10-year period, will critically damage if not destroy permit values, and distorts the true economic picture. Reliable informants in Utah declare that this factor will also reduce the value of ranch property by 40 to 50 percent from current levels for those ranchers dependent upon the use of Federal lands.

Studies by the American National Cattlemen's Association and the American Farm Bureau Federation show that if the annual capitalized market value of the livestock grazing permit were included in computation of the total cost of grazing, there would be little, if any, difference in the value of forage on public and private land.

The full effects of the increases on Utah can only be estimated at this time. However, a study prepared by Messrs. Darwin B. Nielsen and N. Keith Roberts of the Department of Agricultural Economics, Utah Agricultural Experiment Station, Utah State University, shows the following potential economic loss to Utah as a result of the fee increases:

1. \$33 million in capital losses to Utah ranchers due to failure to recognize capital invested in grazing permits as a cost of doing business.
2. \$1.5 million loss in annual income to ranchers due to grazing fee increases.
3. \$3 million loss in secondary sectors of the economy due to reduced income to ranchers.

In addition, I believe there are other considerations of basic human needs which are being ignored here. The Federal Government spends millions annually in programs to help ease the poverty of rural areas, and reverse the migration to over-crowded cities. The increase in grazing fees is an example of direct conflict with this national policy, and very probably will contribute to greater poverty by forcing many livestockmen out of business. Western Regional ranch studies show that even large operations usually return only 3 to 5 percent on the capital investment. Small to medium operations earn in most cases less than 3 percent on the capital investment, and in many cases, operate at a loss.

I believe legislation should be enacted to help stabilize our livestock industry. Foreign competition and increasing operating costs have already placed our livestock industry in a vicious cost-price squeeze. In addition, the industry faces the constant threat of changing policies on the use of Federal land, on which many depend for survival. The authority granted to the Executive Departments in this matter leaves entirely too much room for such arbitrary action, and at this time, I am preparing a bill to establish clear and precise legislative limitations upon the authority of the administration regarding grazing fees on public land.

The Executive Departments have advised me that they would be ignoring their responsibilities under present law by waiting for the recommendations of the Public Land Law Review Commission on this issue. Following this argument, Congress, I believe, would be ignoring its responsibility if it failed to remove this persistent threat to the domestic livestock industry through enactment of a legislative solution establishing the limits of administrative authority on this issue.

STATEMENT OF HON. HOWARD W. CANNON, A U.S. SENATOR FROM THE
STATE OF NEVADA

Mr. CANNON. Mr. Chairman, I appreciate this opportunity to express my concern over the effect the recently promulgated grazing fee increase on Federal lands will have on the economic structure of the State of Nevada and the livestock ranchers themselves.

These hearings perform a vital function in bringing to light all of the pertinent factors in establishing a fair rate for the use of public domain lands for ranching purposes, and I am pleased to convey to the committee some of the factors which I feel should be considered before any changes in the grazing fee structure are made.

Scores of my constituents have written to me on this subject and a common thread runs through almost all of their correspondence. They have no quarrel with paying a fair rate for the privilege of grazing on public lands. What they justly request is consideration of all of the factors which go into the cost of doing business and the realization on the part of our Government of the economic effect an overly ambitious increase will have. The new fee increase is a case in point.

The increase in grazing fees on Federal lands will have a sizable economic effect on permittees and the State of Nevada. A fee hike adds another cost to permitholders who are already suffering from a cost-price squeeze. Many operators have been showing a loss on the operation for the past 5 years or are just breaking even. Even the best operators have shown only a 2-percent return on their investment.

Permits to graze livestock on these lands have acquired value over a period of time in competitive grazing markets. Since most permittees have not only paid the set grazing fee but additional fees for improving their allotments, and these improvements have benefited other resources besides domestic livestock grazing, the increase will result in both income and capital losses for permittees.

Such increases will also have an adverse effect on the income of local business and other segments of society. In Nevada, the out-of-pocket costs to ranchers would be about \$2 million annually. Conservatively, this would mean a loss of \$4 million which would normally be generated to the local economy. Many ranchers will be forced out of business. Others will be forced to use savings or borrow on appreciated land values to protect their investments.

On the State level, Nevada stands to lose a significant part of its economy and use of its agricultural natural resources. The reason for this is that approximately 87 percent of the land in Nevada is federally owned. Over 47 million acres is administered by the BLM. The real property taxes paid by the ranchers in the State constitute an essential financing element to the State, county, and city governments. When action is taken to severely decrease the market value of ranching properties, such as the present fee increase will do, it has a drastic and a serious reducing effect on the amount of tax revenues available to the governments to carry out their programs and service.

The time has come to face up to the very serious problems generated by this overly ambitious fee increase. It is my hope that this hearing will help us to do just that.

Mr. CLAUSEN. Mr. Chairman, I would like to ask unanimous consent that, in addition to remarks that I made, I have a resolution from

the State of California's Senate that I would like to make a part of the record and letters that have been presented to my office as part of my statement in addition to the request of the gentleman from Iowa.

Mr. BARING. Without objection, so ordered.

(The documents follow:)

CALIFORNIA SENATE JOINT RESOLUTION NO. 4 CONCERNING
PUBLIC LANDS GRAZING FEES

Whereas the Public Land Law Review Commission, appointed by Congress, has been holding extensive hearings on public land utilization, and is deeply involved in the factors related to grazing fees and costs and

Whereas the announced proposal to substantially raise these grazing fees appears to be in defiance of this Commission's studies and

Whereas the suggested fee increases are also contrary to the facts revealed in a 1966-67 grazing fee study and survey suggested and supported by both the federal agencies and the livestock industry and

Whereas both parties agreed to abide by the results of this study, but the proposed fees ignore at least one basic conclusion developed by the survey as it relates to the value of the permit and

Whereas these facts bear out the serious consequences such proposed fees would have on the range livestock industry of the West, as many of the rural communities dependent upon a stable and continuing range livestock industry would be greatly affected: Therefore be it

Resolved by the Senate of the State of California, the Assembly thereof concurring, That the members request the proposed fee schedule announced by the Secretaries of Agriculture and the Interior not be implemented and that no action on grazing fees on public lands be taken until sufficient time to permit full Congressional review and hearings of the report to be made by the Public Land Law Review Commission concerning the results of their current economic studies.

CALIFORNIA FARM BUREAU FEDERATION,
Berkeley, Calif., November 26, 1968.

HON. DON CLAUSEN,
U.S. Congress,
House Office Building, Washington, D.C.

DEAR DON: The announcement by the Secretaries of Interior and Agriculture of a grazing fee increase before the Public Land Law Review Commission completes its studies is unfortunate. Congress established the Commission and granted it seven million dollars for studies of various problems related to public lands administration, including grazing fees. Changes in the grazing fee structure prior to the Commission having the opportunity to complete such studies tend to prejudice and negate the work of the Commission.

Policy of the California Farm Bureau Federation, as well as that of the other Western State Farm Bureaus and the American Farm Bureau Federation, very clearly states, "We believe Congress and all federal agencies administering public lands should withhold any changes in basic policy, fees and regulations for use until the Commission has completed its report."

Your assistance with this matter will be greatly appreciated.

Sincerely yours,

ALLAN GRANT, *President.*

U.S. DEPARTMENT OF THE INTERIOR,
BUREAU OF LAND MANAGEMENT,
Washington, D.C., January 23, 1969.

HON. DON H. CLAUSEN,
House of Representatives,
Washington, D.C.

DEAR MR. CLAUSEN: This is in reply to your correspondence of January 7, 1969, transmitting a letter from Mr. Allan Grant, President, California Farm Bureau Federation, concerning livestock grazing fees on public lands.

The 1966 Western Livestock Survey is the most comprehensive study ever conducted in appraising the value of forage to public land livestock users. The Department worked closely with the livestock industry throughout the course of the survey and analysis of the resulting data.

The preliminary rulemaking was published in the *Federal Register* on November 16. The announcement provided 45 days for comment, which period expired on December 31, 1968. During this period recommendations have been received from the district advisory boards, the National Advisory Board Council, and the Special Fee Committee of the Council. In addition, hundreds of letters containing comments from individuals both in support and in opposition have been received. All of these have been reviewed and fully considered.

The basic issue involved in the comments concerns the marketable values attached to the grazing permit. The majority of the livestockmen argue that an annual interest on this value should be recognized as a cost of doing business in the appraisal technique.

This factor was not included in the fee formula for one important and far-reaching reason. To do so would recognize a proprietary interest in the public lands. The Taylor Grazing Act is clear in this regard and it is beyond purview of the Department of the Interior to authorize such an interest in the public lands.

A review of the history of this subject points up the fact that the past administrations since 1951 have encouraged the Department of the Interior and the Department of Agriculture to attain fair market value as a pricing objective for public land forage.

The question of grazing fees has been a continual problem. The industry and the Department of the Interior have been anxious to reach a long-term solution. Based on the survey and the review of comments, final rulemaking has been promulgated and has been published in the January 14, 1969, *Federal Register*. Essentially, the final rulemaking is the same as announced on November 16, 1968. Provision has been made in the regulations for taking into account the Public Land Law Review Commission's reports and recommendations as they become available.

Sincerely yours,

EUGENE V. ZUMWALT,
Assistant Director.

Mr. BARING. Mr. Shafer informs me we have requests from many States and individuals on memorials from the legislatures. We will ask unanimous consent to have these and other pertinent information put in at the end of the hearings.

Mr. STEIGER. If the gentleman will yield, I would assume that would also include association resolutions; the industry association has got some resolutions which I have.

Mr. BARING. Without objection, so ordered.

Mr. STEIGER. Thank you.

(Information supplied by Mr. Steiger for the record follows:)

SALT RIVER PROJECT,
Phoenix, Ariz., February 14, 1969.

HON. SAM STEIGER,
House of Representatives,
Washington, D.C.

DEAR SIR: The Salt River Project is deeply concerned in relation to the press release announcing the increase of grazing fees on National Forest and Bureau of Land Management administrated Public Lands.

The dollar value of the livestock grazing permit, here in Arizona, is like land, not depreciable, but which results in being a cost of doing business. The small increase in State and Federal revenues could not possibly compensate for the damage to the economy of Arizona business and to the ranchers themselves. The best estimate is that Arizona would suffer a \$6,000,000 annual loss in volume of business.

Because of this concern, the Board of Governors of the Salt River Valley Water Users' Association, at its regular meeting February 3, 1969, passed a resolution in regard to such proposed increase in fees. The attached certified

copy of that resolution is furnished with a request that it be made a part of the Hearing record scheduled for February 27-28, 1969.

Very truly yours,

R. J. McMULLIN, *General Manager.*

RESOLUTION

Whereas, the Secretary of Agriculture and Secretary of the Interior under the Johnson Administration have announced changes in current methods of determining fees for livestock grazing on National Forests and on Public Lands under their administration, and

Whereas, the untimely announcement presupposes the investigation and findings by the Public Land Law Review Commission: Now, therefore, be it

Resolved, That the Board of Governors of the Salt River Valley Water Users' Association recommends to the present Secretary of Agriculture and present Secretary of the Interior to withhold any grazing fee increases until the completion of the investigation and recommendations from the Public Land Law Review Commission.

CERTIFICATE

I, F. E. Smith, the duly appointed, qualified and acting Secretary of the Salt River Valley Water Users' Association, HEREBY CERTIFY that the foregoing is a true and complete copy of a resolution adopted by the Board of Governors of said Association at a regular meeting thereof duly and regularly held on the 3d day of February, 1969, at which meeting a quorum was present and voted.

Witness my hand and seal of Salt River Valley Water Users' Association this 14th day of February, 1969.

F. E. SMITH,

Secretary, Salt River Valley Water Users' Association.

PHOENIX, ARIZ., January 6, 1969.

Mr. VERNON STATLER,
Kingman, Ariz.

DEAR VERN: I have just received a copy of a letter from Roger Bigalk to you and I very much regret that Travelers could not make a loan on the Kessler Springs Ranch.

The recent effect of the increase in grazing fees and forest allotments has affected this business greatly and I feel that if this had not happened, that we would have gotten the job done.

My very best wishes for a Happy New Year.

Sincerely yours,

NELSON K. STEVENSON.

GILA COUNTY CATTLE GROWERS' ASSOCIATION,
Globe, Ariz., February 24, 1969.

HON. SAM STEIGER,
*U.S. House of Representatives,
Washington, D.C.*

DEAR REPRESENTATIVE STEIGER: Practically all of the cattlemen in Gila County are entirely dependent on yearlong Forest Service grazing permits. Nearly all of these ranches are small to medium sized family operating units.

If the proposed grazing fee increase is adopted it will be financially ruinous to the cattle industry of Gila County. Capital values which have been built up by the permittees' investment in range improvements will be destroyed, along with the incentive for expenditures for future maintenance and needed new improvements.

Due to the rugged topography and large acreage required per cow many of our operational costs are higher than in other areas. The average annual calf crop on the Tonto National Forest is approximately 15% below the national average.

The net income of the range livestock industry during the past few years has been practically nil.

The cattlemen of Gila County will greatly appreciate your efforts in our behalf at the forthcoming Congressional hearings.

We would like to have you insert this statement in the hearing records.

Sincerely,

LON WINTERS, *President.*

YAVAPAI CATTLE GROWERS,
Prescott, Ariz., February 24, 1969.

HON. SAM STEIGER,
Longworth Building,
Washington, D.C.

DEAR SAM: Thanks for giving us the opportunity to present testimony to the House Interior And Insular Affairs Committee hearing.

We, of course, are relying heavily on the able qualifications of Bill and Brad to speak for us in Arizona. In order to back them up, I do request that my statement be submitted for the record.

I will quote my statement here and enclose the testimony addressed to the Hearing Clerk.

Thanks again,

FRANK B. OGDEN.

STATEMENT RECORDING OPPOSITION TO THE RECENT INCREASE IN GRAZING
FEES FOR PUBLIC LANDS

(It is requested that the following statement be made a part of the Hearing Record.)

The Yavapai Cattle Growers, an association of the cattlemen of Yavapai County, Arizona, have by resolution informed the Secretaries of Interior and Agriculture of its opposition to the grazing fee increase and the reasons therefore. The replies received from the Departments of Interior and Agriculture do not reflect that any attention was paid to the points made in our resolution. Instead, the replies appear to distort the conclusions of the Departments' studies and statistical data, and to reaffirm the Secretaries' decision to increase said fees beyond reason on an arbitrary basis contrary to the positive legislative intent in the Taylor Grazing Act which prescribes that fees be set at a "reasonable" level consideration given to public benefits derived from the land.

Further, the increase comes at a time when livestock producers are faced with production costs that have doubled in twenty years when corresponding real income has actually declined.

Coupled with the rise in costs, the magnitude of the increase would place range livestockmen in a disabling economic position with resulting severe impact on ranch values and the credit position of permittees; on lending institutions holding mortgages on ranch property; on local communities; and on permittee financed range improvement and conservation projects.

The public lands subject to grazing permits are, and should be, available for other multiple uses such as mining, timber, hunting, fishing, camping and watershed. We suggest consideration should be given to these multiple benefits in reaching a reasonable grazing fee formula.

We respectfully request that the appropriate committees of Congress, as a result of these hearings, determine by law the criteria and formulae to be used in setting reasonable levels of grazing fees. As a further suggestion, perhaps such fees could be tied by formula to parity.

Respectfully submitted,

FRANK B. OGDEN,
President, Yavapai Cattle Growers.

Mr. BARING. Our first Member-of-Congress witness is the Honorable Harold Johnson from California.

STATEMENT OF HON. HAROLD T. JOHNSON, A REPRESENTATIVE IN CONGRESS FROM THE SECOND DISTRICT, STATE OF CALIFORNIA

Mr. JOHNSON. Thank you, Mr. Chairman. I won't take much time because I have been with this for some time, but I want to commend you, Mr. Chairman, and the Chairman of the Full Committee and the ranking Minority Member, for setting these hearings at this particular time in our first session of the 91st Congress. I think this to be a very important matter; an action that was taken by the two outgoing Secretaries has certainly raised a lot of concern amongst the graziers throughout the country. In my own congressional district, I have about 18 million acres of grazing land known as Public Lands. So I am vitally interested in this problem.

I would ask that my statement be read into the record at this time.

Mr. BARING. Without objection, so ordered.

(The statement follows:)

STATEMENT OF HON. HAROLD T. (BIZZ) JOHNSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Chairman, may I first express my deepest appreciation that your fine committee is conducting these hearings into the advisability of actions taken earlier this year by the Departments of Agriculture and Interior for I feel very strongly that if these actions are permitted to stand unchallenged they will have extremely disastrous effects upon one of our basic western industries which already is caught in the vice of a cost-price squeeze. I refer to the livestock industry which has suffered from many difficulties over the years including the adverse effect of heavy imports of meat products, the ever-increasing cost of labor, increased taxes and other problems.

Now we have piled upon these other burdens an unwarranted and excessive increase in fees charged by the federal government for grazing livestock, on public lands.

In the eleven western states, including California, much of the grazing of livestock takes place on federally owned lands administered by the United States Forest Service and the Bureau of Land Management. In my own Second Congressional District, approximately 18 million acres of land are in this category. The grazing areas of the northern and central California area that I represent are almost entirely federally owned with some of the counties in my District having only 10 to 20 percent of the land in private ownership, so you can see that, whether we like it or not, we are dependent upon the public lands of the BLM and the Forest Service for grazing our livestock.

It should be emphasized that this grazing of livestock on public lands is in accordance with the Congressionally-dictated principles of multiple-use of these lands and in accordance with sound range management practices. Therefore we must recognize it as a rightful use of our public lands. I emphasize this because arguments presented for increasing grazing fees maintained that this action would force some of the "marginal operators" to give up their permits to the bene-

fits of the public lands. First of all, I challenge the statement that elimination of grazing would benefit the public lands and will discuss this further later but, at this point, I want to stress that it is not the business of the government to adopt any policy with the intention, implied or stated, of forcing any legitimate businessman into bankruptcy.

It is true many livestock operators caught in the present cost-price squeeze are earning barely more than poverty levels of income. They are working long hours and taking economic risks for a return of \$3,000 to \$4,000 a year, but for most of them this is the only life they know, this is the life they have grown up with and this is the life and business they will follow until they die unless forced into bankruptcy by some arbitrary federal act such as the unrealistic increase in grazing fees ordered by the Secretaries of Agriculture and Interior a few days ago.

This action by these two Departments, operating under extreme pressure from the Bureau of the Budget, was not a hasty one but followed one of the most comprehensive surveys ever made by any federal agency known as the 1966 Western Livestock Grazing Survey. The tragic thing about it is, however, that after this survey was completed, the federal agencies threw out one of the basic criteria which, prior to and during exhaustive studies, had been agreed to by the Departments, the Bureau of the Budget and the industry, namely, the inclusion of the dollar market value of the federal grazing permit as a production cost. The elimination of this factor, as you can see from the tabulations which I would like to include at this point, is sufficient to destroy the validity of the entire study.

TABLE I.—U.S. FOREST SERVICE—AVERAGE COSTS PER ANIMAL UNIT MONTH FROM GRAZING FEE STUDY,¹
(CATTLE)

Item	Average nonfee cost per animal unit month of running livestock on forest service lands ²	Average cost per animal unit month of running livestock on private lands
1. Annual capitalized market value of the grazing permit ³	\$1.52	
2. Private lease rate		\$1.86
3. Lost animals .....	.61	.38
4. Association fees .....	.19	
5. Veterinarian .....	.13	.14
6. Moving livestock to and from allotment .....	.33	.24
7. Herding .....	.47	.16
8. Salting and feeding .....	.41	.85
9. Driving to and from allotment .....	.41	.27
10. Water .....	.04	.07
11. Horses .....	.23	.10
12. Fence maintenance .....	.27	.28
13. Water maintenance .....	.18	.10
14. Development depreciations .....	.13	.02
15. Other costs .....	.17	.12
Total cost per animal unit month	5.09	4.59

¹ Represents all national Forest Service lands in survey.

² Represents the average nonfee costs of running livestock on Forest Service Lands. The average grazing fee in 1966 was \$0.51 per animal unit month for cattle.

³ Capitalized at 6 percent (the cost of money) and represents the annual capitalized dollar market value of the permit which was, based upon the study, an average of \$25.35 per animal unit month on a national basis (regions I to IV). (The computation was as follows: $\$25.35 \times 6 \text{ percent} = \$1.52 \text{ per animal unit month.}$)

TABLE II.—BUREAU OF LAND MANAGEMENT AVERAGE COSTS PER ANIMAL UNIT MONTH FROM GRAZING FEE STUDY¹ (CATTLE AND SHEEP)

Item	Average nonfee cost per animal unit month of running livestock on bureau land management lands ²	Average cost per animal unit month of running livestock on private lands
1. Capitalized grazing permit ³	\$0.87	
2. Private lease rate.....		\$1.82
3. Lost animals.....	.60	.40
4. Association fees.....	.04	
5. Veterinarian.....	.10	.14
6. Moving livestock to and from allotment.....	.21	.24
7. Herding.....	.49	.20
8. Salting and feeding.....	.69	.87
9. Driving to and from allotment.....	.31	.28
10. Water.....	.11	.07
11. Houses.....	.12	.09
12. Fence maintenance.....	.21	.27
13. Water maintenance.....	.20	.10
14. Development depreciations.....	.11	.02
15. Other costs.....	.14	.13
Total cost per animal unit month.....	4.20	4.63

¹ Represents all BLM grazing districts.

² Represents the average nonfee costs of running livestock on BLM lands. The average grazing fee in 1966 was \$0.33 per animal unit month.

³ Capitalized at 6 percent (cost of money) and represents the annual capitalized dollar market value of the permit which was, based upon the study, an average of \$14.41 per animal unit month on a national basis. (The computation was as follows: \$14.41 times 6 percent equals \$0.87 per animal unit month.)

The 1966 Western Livestock Grazing Survey, the results of which are summarized above, was conducted for the purpose of establishing a sound economic basis and equitable comparison of total grazing costs for running cattle and sheep on public vs. private lands. The cost criteria that were included in the study were agreed to by the Statistical Reporting Service of the Department of Agriculture, which conducted the study, the Bureau of the Budget, the Bureau of Land Management, and the Forest Service, as well as the range livestock industry.

There were 15 individual public and private cost items included in the study, including the dollar market value of the livestock grazing permit. Over 14,000 individual questionnaires were compiled, 10,000 of which were completed by SRS by securing individual cost records from ranchers in the western part of the United States. A large number of lending institutions also completed questionnaires relative to the dollar market value of the livestock grazing permit. The range livestock industry cooperated with the study in good faith on the basis that an area by area, or region by region comparison of all grazing costs for private and public lands would serve as an equitable and realistic means of establishing the economic value of forage and thereby a reasonable grazing fee level and structure. Without this cooperation, the study could not have been made.

In the case of federal lands administered by the Forest Service, the 1966 Western Livestock Grazing Survey clearly indicated that by comparing total grazing costs, Forest Service permittees were already paying full economic value for the forage. Therefore, in contrast to the proposed grazing fee increases for Forest Service lands made by the Secretary of Agriculture, no grazing fee increases are justified in

1969 for domestic livestock running on Forest Service lands. Actually, the comprehensive Grazing Fee Study indicated that range livestock permittees are paying more than economic value for forage.

Without the inclusion of the annual capitalized dollar value of the grazing permit in the comparison of total non-fee grazing costs, an equitable and reasonable grazing fee cannot be established. The American National Cattlemen's Association, speaking for the beef cattlemen of the nation, objects violently to the Grazing Fee Proposal.

I certainly share these views and I believe that the Association has stated its position extremely well and therefore, Mr. Chairman, I would like to insert the comments filed by the Association on three basic factors at issue in this matter:

POSITION PAPER, AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION, RE INCREASED GRAZING FEES

A. GRAZING FEE PROPOSAL—U.S. FOREST SERVICE LANDS

The grazing permit, since 1905, as administered by the Forest Service, has accumulated value and become a definite cost of doing business for the following reasons:

1. In order for the livestock operator to be granted a grazing permit in the first place, most permittees must have sufficient private land and/or water resources to sustain their livestock while they are not running on federal land . . . the commensurability requirement. This and other requirements by law and regulation have, by necessity, forced the dollar market value of the permit to be capitalized into the total ranch investment structure. As a result, the dollar market value of the grazing permit has been considered over the years to be a non-depreciable asset, like land, and to exist in perpetuity, like most ranches, even though the permit itself has been also continually associated with a high degree of economic risk.

2. In addition to the livestock grazing permit serving as an integral part of the investment structure of the entire ranching operation, it is also considered by the agricultural lending institutions as a key element in determining whether short, intermediate or long term credit will be extended to ranching operations dependent upon the use of federal lands to graze livestock.

3. The average value of the livestock grazing permit, based upon the results of the 1966 Western Livestock Grazing Survey, on Forest Service lands was \$25.35 per AUM. This permit value as a specific investment and cost over the years has been recognized by the Department of Defense, (i.e. the Engle Act of 1942), the Internal Revenue Service with respect to settling estate matters, the Farmers Home Administration in loaning money to range cattle and sheep operators currently and by the many other agricultural lending institutions throughout the West loaning money to these same range livestock operations.

4. A major portion of the current value of the livestock grazing permit has accumulated and increased in value over the years as a result of the thousands of dollars that many range livestock operators have invested into range improvements of many kinds, both on public and private lands. For a number of years if it were not for the money spent by stockmen on range improvements of all kinds, there would not have been any range improvements if federal funds appropriated for this purpose were cut to zero. Because range improvements take the form of water development, clearing of brush and noxious weeds, re-seeding of ranges, building and maintaining roads, etc., these range improvements not only add to the productivity and value of the range for livestock grazing, but they also resulted in many reciprocal benefits to the public in general.

As in the case of the private lease rate, the livestock grazing permit also reflects the taxes paid by the livestock operator on private lands.

The dollar market value of the grazing permit also is closely associated with such important factors as: weaning weights, calving percentages, and the general condition and health of the cattle and sheep running on these federal lands. It was understood prior to the time the study was conducted, that these important

quality and economic factors could only be reflected through the capitalized dollar value of the grazing permit as an annual cost of doing business. Otherwise, these and similar important cost and value factors would not have been reflected in the study.

5. The matter of security of investment also has had a significant influence on the accumulated value of the permit over the years, since it would not be possible to maintain an economic unit in almost all cases without the availability and use of federal lands for livestock grazing during all or a portion of the year.

B. PUBLIC BENEFITS

1. Range cattle and sheep operators using public lands in connection with their private lands for grazing livestock have over the years provided access to the public lands and thereby making available their private lands for easy and convenient access. Considerable time is spent by typical range livestock permittees in giving direction to hunters, fishermen, and others interested in traversing their private lands to gain access to the public lands. These same people are often provided with water, car and automobile repair, the use of a telephone, meals, etc., at no cost.

The value of the livestock grazing permit is also affected and very closely related to the multiple-use concept. The average value borne out by the 1966 study of \$25.35 per AUM for Forest Service lands would, in most cases, double or triple in value if such a permit gave the range livestock operator exclusive use and control of the federal lands on which his livestock run . . . but, of course, such is not the case.

2. Another specific and significant example of public benefits relates to the large amount of money and many hours spent by representative range livestock permittees in building and maintaining roads on public lands at their own expense, in developing and maintaining water facilities, developing and increasing the quantity and quality of forage, etc. These and other factors not only increased the capability of increasing the quantity and quality of food and fiber for the American people, but also results in substantial public benefits in the form of increased access to both public and private lands, availability of water for human consumption and wildlife, and, of course, increased and improved forage for wildlife, as well as substantially improving upon the watershed and management of the entire federal land.

C. ECONOMIC IMPACT OF GRAZING FEE CHANGES

The new formula for grazing fees will have the following impact on the range livestock and rural communities involved:

1. A net decapitalization or loss in equity in these range cattle and sheep operations from 25% to 50%, including a total loss in the dollar value of the grazing permit which is now capitalized into the total ranching operation.

2. A substantial loss in ranch equity and increased operating expenses resulting from the Grazing Fee formula would force the liquidation of many range livestock operators and place the livestock lending institutions involved in a position of having to make a very critical review of whether they any longer could justify extending short term, intermediate, or long term credit to livestock operations dependent upon the use of federal grazing lands.

3. The government grazing fee proposal would also cause a severe adverse economic impact on the many rural communities throughout the Western United States, who are either totally or largely dependent upon the economic stability and perpetuation of the livestock industry. Such a grazing fee proposal would amount to many millions of dollars lost by many local businesses and governments who dependent upon a healthy and economically stable livestock industry.

Mr. Chairman, the facts of life are that the industry and government recognize the dollar value of a grazing permit. This has been true for many, many years. Local government collects taxes based on the possessory interest the livestock operator has in the federal lands as is reflected by the dollar value of the grazing fee permit.

The only reason that I have heard for elimination of this factor from the 1966 grazing fee was a fear that including the value of the permit would recognize a proprietary interest in the public lands. I

think, Mr. Speaker, that this response is grasping at straws. The facts of life that the permits do have value and I do not believe the federal government can close its eyes to the fact. Anyway, the mere fact that the cash value of a permit is included in a study of fee structures in no way could be interpreted as giving the permit holder a proprietary interest in the federal lands.

When the proposed decision was published last November, I opposed the new formula based on the general philosophy that it was not timely and contrary to the findings of the 1966 study. My views were contained in the following letter dated December 7, 1968, which was directed to the Secretary of Agriculture and the Secretary of the Interior:

DEAR MR. SECRETARY: In recent days, I have had an opportunity to discuss with many members of the livestock industry the proposed increase of grazing fees on National Forest and public lands.

As you are well aware, the increases covering a period of the next ten years amount to approximately 400 percent on public lands under Bureau of Land Management jurisdiction and 200 percent on National Forest lands. I think this is not only excessive but also, in view of the present situation, it is untimely and premature.

As you well know, the Public Land Law Review Commission currently is giving active consideration to all aspects of public land utilization and it had been the wishes of Congress and the appropriate Committees of Congress that fundamental changes in land management such as certainly these adjustments are should be deferred until after the completion of the Public Land Law Review Commission studies. Accordingly, Mr. Secretary, I believe that in order to avoid disruption of this industry which is basic to our economy, we should defer implementation of these proposed adjustments until the Public Land Law Review Commission completes its work.

Frankly, I do not believe there is any urgency to these proposed changes which would preclude this deferment. However, if you are convinced there is such an urgency that these changes cannot wait for the recommendations of the Public Land Law Review Commission and Congressional consideration of these recommendations, we should at least wait until the appropriate Committees of Congress can hold hearings on these proposals early next year. I have requested that such hearings be held.

This delay, until at least the opening of the 91st Congress, is especially important at this time in view of the fact that we are on the eve of a new Administration.

In view of the allegations which have been raised since November 15th that the suggested adjustments are contrary to the facts revealed in the 1966-67 grazing fee study and survey, the new Administration and the 91st Congress must have an opportunity to evaluate the recommendations published by your agency last month.

Sincerely yours,

HAROLD T. (BIZZ) JOHNSON,
Member of Congress.

I still feel very strongly that the Congress of the United States, the Public Land Law Review Commission and a new Administration inaugurated January 20th should have an opportunity to review the situation prior to the implementation of the new fee structure. But no, Mr. Chairman, the two Secretaries, with a scant 6 days left in office, took this action which could destroy a major segment of the livestock industry.

Mr. Chairman, the livestock industry in no way wants to shirk its responsibilities and is willing to pay a reasonable fee to use the federal lands. I should note that grazing fees paid to the Forest Service alone during 1967 totalled \$4,183,348.

Mr. Chairman, I would like to touch on one other point in addition to the basic question raised as a result of the Grazing Fee Studies. I should explain that the Taylor Grazing Act under which these permits are authorized, does insist that the basic values are recognized.

This includes the value of water developments, improved wildlife habitats and improved access to public and private lands. Since the basic Act itself does recognize these benefits, I feel very strongly that they should be recognized in determining the fees assessed to the grazing operations. I do not believe that this has been done as fully as it could have been as a result of the study.

It is cruel and unjust that the basic criteria agreed to by all concerned, including the federal agencies, prior to the start of the study should be eliminated arbitrarily in the final hours of decision. The livestock industry acted in good faith, the federal agencies failed to respond in kind.

It is my hope that this Committee, following the current thorough investigation which you are now making of the entire matter, will recommend steps to correct this gross injustice. Immediate action is critical. Thank you.

At this time I will yield to the chairman of the full committee, Mr. Aspinall of Colorado.

Mr. ASPINALL. Mr. Chairman, I have had Mr. Shafer prepare for us data showing the changes in grazing fees from 1935 to 1968. And I would ask unanimous consent that this data be placed in the record immediately following my statement.¹

Mr. BARING. Without objection, so ordered.

The next witness is the Honorable John Wold.

STATEMENT OF HON. JOHN S. WOLD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WYOMING

Mr. WOLD. Mr. Chairman, I have a statement here, but because we are short of time and have so many witnesses from out of town, I would simply say that I urge that the recent regulations of the Interior Department on grazing fee increases be put into abeyance until the final report of the Public Land Law Review Commission is published, excepting the first increment of the grazing fee increase. And I ask unanimous consent that this statement be read into the record, sir, and I yield the rest of my time.

Mr. BARING. Without objection, so ordered.

(The statement follows:)

STATEMENT OF HON. JOHN S. WOLD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WYOMING

Mr. Chairman, I would open this statement by emphasizing just how important the recommendations that may come out of this hearing relative to grazing fee costs will be to the citizens of my district, the State of Wyoming. Agriculture is the second biggest industry in the state, and indirectly, it employs more persons than any other.

The livestock industry composes the biggest sector of the agricul-

¹ See table on p. 6.

ture industry in Wyoming. Therefore, any decisions or policies that will affect the livestock industry will have serious implications on the well-being of every citizen in the state.

We have all come here today to testify and make recommendations on long-term future policy of the use of the public domain. Specifically, we are considering what should be a reasonable and fair cost for its use. We do not want to be selfish or shortsighted in this matter.

We need fairness. Therefore, we must devise a policy that will recognize the needs and expectations of everyone concerned—including the whole citizenry of today and tomorrow for whom the land is held in trust.

We must also think of the people who are using the land because theirs is the most pressing problem.

The grazing of their livestock on the public domain is their economic well-being.

We talk about the government receiving a fair return for the use of public lands. Everyone agrees. But there are differences as to what is a fair return. To the man in the city, far removed from the problem and who is not dependent upon these lands for his survival, a fair return is one thing.

But to my constituents who depend on these lands for their daily bread, a fair return is another.

We all should know the extreme and difficult position of agriculture in the United States. The livestock industry occupies the most precarious position of all agriculture, partly because it has clung most tenaciously to an economic philosophy of rugged individualism. The proposals to raise grazing fees come at a time when the importation of red meats threatens the slender margin remaining for the livestock producer.

This is one reason why we should take a long, hard look at any proposals which will further disadvantage the livestock producer.

Under the hammer of reality the proposed fee increases break down because many livestock producers cannot meet them and survive.

Many bankers and lenders in my district have warned that the new rules would undermine the collateral base to their many outstanding loans because they do not include the capitalized permit value. The deliberate omission of this factor in the Statistical Reporting Service study distorts their report and its conclusions.

There are other reasons for reconsideration of the Interior Department's regulations at this time. One of the most important is that the Public Land Law Review Commission has not yet published its final report.

I am certain that the Commission, headed by the Honorable Chairman, collected evidence that should be considered before any future policies are finalized. I believe it has been shortsighted to promulgate decisions before the evidence unearthed by the Commission's study is revealed.

Therefore, I would request that this subcommittee recommended that the recent regulations of the Interior Department be put into abeyance until the final report of the Public Land Law Review Commission is published—excepting the first increment of the grazing fee increase.

MR. BARING. The next statement is by the Honorable Al Ullman of Oregon.

STATEMENT OF HON. AL ULLMAN, A REPRESENTATIVE IN CONGRESS FROM THE SECOND DISTRICT OF THE STATE OF OREGON

MR. ULLMAN. Mr. Chairman, Honorable Chairman of the Full Committee, it is good to be back home before my old committee.

I am here very briefly to protest and strongly protest not only the imposition of these grazing fee increases, but the timing and particularly the manner in which they were accomplished. I ask that my statement appear in the record. I commend to you three witnesses from the State of Oregon: Mr. Denny Jones, Garland Meador, and Charlie Ottley, who will appear before the committee. I ask unanimous consent that statements on the part of Mr. Theodore R. Conn, Mrs. Jack Kittredge, Robert L. Weir, and Mack Birkmarer of the Wallowa County Stock Growers appear in the record with my statement. I have great confidence in this subcommittee in the actions that it will take.

Thank you very much.

MR. BARING. Thank you very much, Mr. Ullman.

MR. ASPINALL. Mr. Chairman, I wish to acknowledge the presence of our former member and now a member of the Ways and Means Committee, and as always he is the most cooperative of any of our Congressmen, and we appreciate it very much.

Thank you very much.

MR. ULLMAN. Right. Thank you very much. Thank you, Mr. Chairman.

(The statements follow:)

STATEMENT OF HON. AL ULLMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON

Mr. Chairman, I appreciate the opportunity to appear today before your committee and present testimony in behalf of reversing or greatly reducing the increased public land grazing fees.

I have received a great deal of correspondence from stockmen and range users in Oregon and throughout the West who are alarmed over the economic consequences of such increases. I would like to enter in the record a few of these statements in support of major revisions in the new fee structure.

Mr. Chairman, I am concerned that the decision to raise public land grazing fees did not consider all the economic aspects of public land use. Certainly, any study leading to an increased fee schedule should realistically compare the costs of public land use and private grazing lands. I am convinced that by overlooking the value of a grazing permit, which is a very real cost of doing business for public land users, the study leading to the recent fee increase was not a realistic comparison and should be fully reviewed by this committee. I am confident that other witnesses will discuss this issue in greater detail, and I strongly recommend the testimony of several of these witnesses from Oregon.

I thank the committee for taking the time and effort to hold these hearings and for the opportunity to testify.

THEODORE R. CONN,
ATTORNEY-AT-LAW,
Lakeview, Oreg., February 20, 1969.

Hon. AL ULLMAN,
House of Representatives,
Washington, D.C.

DEAR AL: I am writing this letter for the purpose of setting forth a few thoughts that I have in connection with the existing row over grazing fees.

As a Wildlife Representative of the State of Oregon, I have taken the general position that the relationship between the Wildlife people and the Livestock people has been good in Oregon and that I felt it advisable for the Wildlife interest to keep out of a dispute between the landlord and tenant as to the amount of rent he was going to pay as all we could do was to alienate the Livestock people with whom we must live. As you know, much of the big game winter ranges in Oregon are in private ownership and controlled by the Livestock interests and our wildlife is very much dependent on these winter ranges.

I do not agree with the Bureau of the Budget that the measure of the amount of these grazing fees should be the fair market value and I think the Taylor Grazing Act contemplates only a reasonable rental, giving due regard to the other uses which may exist. In other words, we recognize the multiple use and know that this will effect the value of any single use.

I am wondering if any escalation in grazing fees could not be tied back to the Livestock prices, such tie as presently exists between Bureau of Land Management fees and Forest Service fees. It seems to me that this is the best measure of the industry's ability to pay. It is true that the livestock grazing fees will not break the livestock operators but this, with other spiraling costs and static livestock prices, is ruinous.

I hope this thought may be of assistance to you.

With kindest personal regards, I remain,

Very truly yours,

THEODORE R. CONN.

FORT ROCK, OREG., February 22, 1969.

Hon. AL ULLMAN,
House of Representatives,
Washington, D.C.

DEAR MR. ULLMAN: I am writing to urge you to help us against this increase in grazing fees.

Raising livestock has been a life time business for us. For the last twenty years everything has been constantly on the increase except the price the rancher gets for his beef.

Leasing federal range is not as cheap as it seems to those that are not using it. Most permittees that use B. L. M. land in this part of the country furnish their own water on the range. Either by hauling or private wells. Maintaining and equipping these are quite expensive, plus fencing and maintenance.

This increase will only force the rancher to irrigated pasture, and to develop his private land. It looks like that is what the government is trying to do, force the stockman off the federal range.

Fifty four per cent of the state of Oregon is federally owned and seventy three percent of Lake County is federally owned and one of the main sources of revenue is from grazing. Taxes from the land and livestock dependent on this federal range are important to the economy of our county and state.

I urge you to seriously consider this matter, and try and stop this increase in grazing fees.

Very truly yours,

Mrs. JACK KITTREDGE.

LAKEVIEW, OREG., February 24, 1969.

Hon. AL ULLMAN,
House of Representatives, Washington, D.C.

DEAR MR. ULLMAN: The following is submitted in opposition to the increased fee for grazing on the Public Lands to be presented at the House hearing.

1. The increase is untimely in view of the studies and the work being conducted by the Public Land Law Review Commission. The report of the Commission should be available before a determination is made on an adjustment in grazing fees.

2. The fee structure as proposed for the United States Forest Service is retrogressive from present practice. The Forest Service has been operating on a variable fee for the past thirty odd years. The fee for grazing having been adjusted on the basis of quality and quantity of forage and water available on the allotment. Under the new schedule there is no differential as to the quality, quantity or the cost of harvesting the forage.

3. The fee adjustment should be in relation to the price of the product being produced as in past forage formula; and not adjusted on an arbitrary forage factor correlated to private rental rates.

4. Under the proposed fee schedule, no consideration is given to the private capital which has been invested in the improvement and development of the Public Lands. The public being benefited from such developments as well as the user of the forage. Likewise, there appears to be no recognition as to past management practices. An incentive developed in the fee structure will promote further capital investment by the users as well as improved management and conservation of the resource to the benefit of all concerned.

5. It appears that no consideration has been given for the public benefit derived from the use of livestock grazing as a management tool on the Public Lands.

6. The study conducted by the Statistical Reporting Service developed an investment cost in the permit value, however in the determination of the fee schedule, the investment cost has been disregarded.

In my opinion, the livestock man who is dependent upon and the user of the forage on the Public Lands is willing to pay a just and fair fee for the resource available. Further, that the fee schedule under discussion is grossly unfair in that no differentiation is being made on the variables in the product being offered by the Federal Agencies.

Respectfully,

ROBERT L. WEIR.

STATEMENT OF WALLOWA COUNTY STOCKGROWERS, PRESENTED BY MACK BIRKMARER,
FORESTRY COMMITTEE CHAIRMAN

We wholeheartedly endorse and support the A.N.C.A. and the Public Lands Council's position, opposing this action.

We believe that to disregard the capital value of the permit, as a cost of doing business, makes an unfair comparison between private vs. public grazing. Also, the cost of the fencing, water development, and other capital improvements constructed on public land, with permittee money, apparently have been omitted from the fee study.

Let's have a fair study, not one that only measures part of the permittee costs. We believe it should also be remembered that the private land, in practically all cases, is superior to public land for livestock grazing. Due to topography, availability and distance to and from water, accessibility, and the number of acres a cow or sheep has to roam to fulfill their grazing needs.

To measure public land grazing against private grazing would be very difficult, in our opinion, without measuring the net results, that is—weaning weights, breeding percentage, amount of yearling gains, and the weight of the breeding stock off the respective pastures. These things spell the difference—to have a fair comparison, it seems to us, you should measure *all* the costs and then compare the *yields* of both types of grazing.

Example: In 1968 an A.U.M. on the Wallowa-Whitman National Forest was 63¢. Private land in and around Wallowa county was up to \$4.00 for a cow and calf for a month. Why such a wide variation? It's the difference in gain—an average calf off forest ranges in this area is about 400 lbs.—an average calf off private pasture (commanding a \$4 fee) is about 500 lbs. That extra 100 lbs. of gain was worth \$28 to \$30 in 1968. It is easy to see then, that 6 months pasture at \$4 or \$24 total, was paid for and then some by that extra 100 lbs. of calf.

Then let's not forget the wildlife—Before our stock is allowed on the Forest Service spring range, the deer and elk have already been there all winter and have the grass already "topped." When the stock are ready to go to the summer

range, again the game has beat you there—again the young lush grass that is so important to top gains is already gone. Consequently this kind of pasture, in an already used condition, should not command as high a rental fee as most private pastures, that don't have this problem.

The proposed increase, we believe, is prohibitive to the continued use of this resource by livestock.

Wallowa County is 56% public land and our communities and county are very dependent on the revenues derived from the grazing of sheep and cattle on this land.

To further burden the already difficult economic position of the range livestock man, at this time, will be disastrous—to him and to his community. Remember he's worked long and hard and for 20 years he hasn't had a pay raise! His product is bringing only 78% of parity, according to a January 1969 USDA report.

Now, we have a question—

What is so wrong with the fee system now in use? Whereby the fee is tied to the price of livestock. If livestock prices go up in price, we would be able to pay more for our forage. To raise the grazing fee without a corresponding increase of income for the rancher—leaves him no alternative but to sink further in debt or liquidate his operation.

The grazing fee issue, and how it is settled, is a matter of the most importance to the range livestock man, a matter of survival.

We request that the O.C.A. protest, with the utmost vigor and with all the tools at its command, this unwarranted grazing fee increase proposal.

Mr. BARING. The next Congressman is the Honorable Orval Hansen.

Mr. ASPINALL. Mr. Chairman, we have a new Member of Congress appearing before our committee for the first time, and we welcome you, Mr. Hansen.

STATEMENT OF HON. ORVAL HANSEN, A REPRESENTATIVE IN CONGRESS FROM THE SECOND DISTRICT OF THE STATE OF IDAHO

Mr. HANSEN. Thank you very much, Mr. Chairman and Honorable Chairman of the Subcommittee. May I also commend the chairman and the members of the subcommittee for providing this opportunity for all interested parties and all points of view to be heard and for all relevant data to be examined and considered. It is unfortunate that final action sharply increasing grazing fees was taken before the matter was considered by the appropriate committees of Congress. May I express my hope and my confidence that this subcommittee will give attention to some of the economic facts of life of livestock production that were ignored when grazing fees were so drastically increased in January.

This includes the fact that the grazing permit does have a value. Failure to assign a capitalized dollar value to grazing permits will increase the economic burdens on the livestock industry and will decrease the market value of many farms and ranches resulting in a drying up of some of the sources of credit that are so essential to livestock operation, particularly during these periods of rapidly rising costs. The substantial investment that stockmen have made in improvements on the public range should also be recognized.

I would also invite the subcommittee's attention to the economically depressed condition of the livestock industry, due in part at least to the unwise import policies that have depressed prices and robbed American livestock producers of a good share of the domestic market.

The Federal Government owns about two-thirds of the land area within the State of Idaho. The livestock industry which depends

heavily on public lands for grazing is a major industry. Cattle sales alone produce more dollar income than any other single commodity. Any increase in grazing fees will cut into already thin profit margins. If the entire increase that was adopted in January is permitted to stand, then it will undermine a basic industry and strike a heavy blow at the economy of the State of Idaho.

Mr. Chairman, if we are to be successful in our efforts to find solutions to the problems that plague the Nation's already overcrowded cities, we must create greater economic opportunity in rural America. I respectfully submit that anything that adds significantly to the production costs of the livestock industry will contribute to the further deterioration of economic opportunity in many parts of rural America and will, therefore, move the country in the wrong direction.

It is my privilege to present to the members of the committee some distinguished leaders of the Idaho livestock industry who will be presenting testimony in the course of these hearings that will provide valuable information and draw upon wide experience in livestock production which will be helpful to the committee. They include Mr. Lawrence Bradbury, first vice president of the Idaho Cattlemen's Association from Challis; from Dave Fulton, from Mackay, Idaho, who is the president of the Tri-County Cattlemen's Association; Mr. Gene Davis, president of the Owyhee County Cattlemen's Association.

Mr. Chairman, I would ask unanimous consent that I have the opportunity to present a statement in somewhat more detail together and to include communications from others in the State of Idaho who are unable to be present personally at these hearings.

Mr. BARING. Without objection, so ordered. Thank you very much, Mr. Hansen.

Mr. HANSEN. Thank you, Mr. Chairman.

(The statement and material for the record follow:)

STATEMENT BY CONGRESSMAN ORVAL HANSEN OF IDAHO

Mr. Chairman, I am grateful for this opportunity to present my views on the subject of the increase in grazing fees on public lands and to call to the attention of the members of the Committee the adverse impact that the dramatic increases will have on the livestock industry and on the economy of the state of Idaho.

It is unfortunate that the decision to increase grazing fees, in some cases by 300 percent or more, was made before the entire question could be reviewed by Congress. The former Secretary of Interior published a Notice of Proposed Rule Making on November 16, 1968, proposing a substantial increase in grazing fees on public lands. I protested the proposed increase and requested that action be postponed until public hearings could be scheduled to permit representatives of the livestock industry and other interested parties to be heard and until the results of studies being conducted by the Public Land Law Review Commission are available. In my statement filed with the Secretary of Interior, I pointed out that many factors that represent a very significant part of the cost of livestock production had been ignored in the proposed fee schedule. Many similar protests were filed within the time permitted. These protests were ignored. On January 14, 1969, just prior to the time the retiring Secretary of Interior went out of office, final regulations adopting the proposed schedule increasing grazing fees were published. I immediately wrote to Secretary of Interior-designate Walter J. Hickel renewing my objection to the action taken and renewing my request that the increase be rescinded until the matter could be reviewed by Congress and until studies by the Public Land Law Review Commission were completed.

One of the basic purposes of the Taylor Grazing Act, which grants authority to establish "reasonable" fees, is "to stabilize the livestock industry dependent upon the public range." The effect of the sharp increase in grazing fees will be

to undermine rather than to stabilize the livestock industry. The standard of "reasonable" fees was disregarded with the arbitrary substitution of a "market-value" concept that does not consider certain basic economic realities of livestock production.

Among the factors that were not considered is the substantial investment made in permanent improvements made to the federal range. Large expenditures have been made by permit holders in range improvements such as the building of fences, cattle guards, holding fields and corrals, re-seeding of the range, the development of watering facilities and the construction of roads and bridges. These improvements benefit hunters, fishermen, and the general public as well as the livestock operator.

The value to be assigned to the grazing permit, however, is at the heart of the issue. The most glaring omission in the fee formula adopted was the failure to recognize the value of the grazing permit as a legitimate cost of doing business in a livestock operation. To say that the permit has no value is to ignore the obvious. Permits are bought and sold. Lending institutions and many government agencies, including the Internal Revenue Service, have long recognized that grazing permits do have a value.

The grazing fee increase that has been announced will destroy all permit values, resulting in a heavy capital loss to all permit holders. The difficulty in obtaining the credit that is so essential to finance many ranching operations will be materially increased. The position of the permit owner in paying off existing mortgages will be weakened and an asset that has been used as collateral will be eliminated. Ranchers will also suffer a drop in net income as increased expenses cut into already thin profit margins. Most ranching operations in Idaho are small. These will be the hardest hit. The sharp grazing fee increases, during a period of rapidly rising prices, spiraling inflation and record-high interest rates, will simply force many small operators out of business.

The small communities that are largely sustained by livestock operations will be hard hit by the reduction in income and the loss of tax base resulting from the drop in ranch prices.

The livestock industry is a depressed industry. Ranchers have been the victims of government import policies that hand over a large portion of the domestic market to foreign countries, causing depressed prices for American producers.

In Idaho, livestock production is a major industry. Receipts from cattle sales alone exceed the receipts from any other commodity produced in the state. Two-thirds of the land area in Idaho is owned by the federal government. In some counties federal ownership of the land area exceeds 90 percent. Stockmen must rely heavily on public lands for grazing. The increase in the cost of doing business that will result from the higher grazing fees will have a serious adverse impact on the economy of the state of Idaho.

A major national objective is to revitalize the economy of rural America. Much of the urban crisis has its roots in the deteriorating rural economy. Migration from rural areas to the already overcrowded cities will add to the difficulty and expense of finding solutions to urban problems. During recent years, rising costs and declining incomes have forced millions to give up farming and ranching as a way of life. Small farming and ranching units are disappearing at a rapid rate. Government policy should help to enlarge economic opportunity in rural areas, making it possible for more of our people to live and earn a living in the country. The increased grazing fees will push livestock production costs higher and contribute to the further evaporation of economic opportunity in many parts of rural America.

I urge this Committee to give its approval to pending legislation that will suspend the grazing fee increase. Any further action should await the result of the studies now being conducted by the Public Land Law Review Commission. Before any further adjustments are made in the formula of grazing fees, all relevant factors should be examined and considered, including the economic facts of life of livestock production. When adjustments are made in the formula, they should be consistent with the purposes of the Taylor Grazing Act which authorizes "reasonable" fees "to stabilize the livestock industry." Any changes should also take into account the impact on the livestock industry and on the economy of public land states such as Idaho, and they should help to further the basic national objectives of strengthening the economy of rural America.

I submit as a part of this statement to be included in the hearing record a statement by J. W. Swan, president of the 71 Livestock Association, a resolution

adopted by the Leadore Grange No. 341, the Salmon River Pomona Grange No. 21 and the Round Valley Grange No. 275, House Joint Memorial No. 3, approved by the legislature of the state of Idaho, a statment by the Eastern Idaho Grazing Association, and a resolution by the Clark County Stockgrowers. Also included are communications which I have received since the hearings were announced.

HOUSE CREEK RANCH,
Rogerson, Idaho, February 25, 1969.

HON. ORVAL HANSEN,
House of Representatives,
Washington, D.C.

DEAR REPRESENTATIVE HANSEN: On February 20, 1969, the 71 Livestock Association, at their semi-annual meeting at the Rogerson Hotel, Twin Falls, Idaho, adopted the following resolution:

"Whereas the Secretaries of Agriculture and Interior have announced a program of fee increases on the BLM and Forest Service Lands, and,

"Whereas said fee increase is not in accordance with the suvery conducted by the Statistical Reporting Service if all fifteen costs agreed upon were used, and,

"Whereas the implementation of said fee increase would place undue strain on the financial stability of the permittees and the surrounding business communities: Now, therefore, be it

"Resolved, That the 71 Livestock Association go on record as being opposed to said fee increase and that a copy of the resolution be sent to the proper congressional delegates."

The members of the 71 Livestock Association believe in paying a fair value for the forage that they receive on public lands. We were willing to abide by and participate in the survey conducted by the Statistical Reporting Survey. We also believe that it is presumptive for the Secretaries of Agriculture and Interior to embark on a ten year program of fee increases with the studies of the Public Land Law Review Commission still incomplete.

For the BLM and the Forest Service to deny that permits have value is almost beyond comprehension. The Internal Revenue Service places "value on permits" when it figures estate taxes. When permits are withdrawn for military use the permittee is paid the market value for his loss. As almost anyone knows, the question of value is determined by "what it will bring on the open market." There is no question that these permits are bought and sold. Often the BLM and Forest Service officials are called upon to establish these prices. The Forest Service admits in its January 15, 1969, release that forest permits have a value of approximately \$178,000,000, which is used as partial security for long term mortgages of \$330,000,000. Most of the lenders require "waiver of grazing privileges" which are freely given by the Forest Service. The Forest Service estimates that, in addition to the present fees, the permittees are contributing about 1.3 million dollars annually for range improvements on federally owned range. This, they admit, will probably cease. Many of us in the livestock industry and government bureaus have worked many years to bring about a feeling of cooperation and understanding between the administrators of public range and the permittees. This is necessary for the proper use and administration of the range. It is a shame to destroy this with this unjustified attack upon the users of the public range.

The impact of the proposed fee increase upon the economy of this area would be tremendous. The Idaho Associated Tax Payers claim that one generating dollar spent on Main Street multiplies nine times before it leaves the community. If the ultimate fee increase is 90¢ per AUM, this would mean there would be a loss of approximately \$925,000 annually in the business communities of Twin Falls, Buhl, Filer and Hagerman. This is based on 114,268 AUM's of Federal range used by members of the 71 Livestock Association. In addition there are several other grazing associations in this area. These dollars that would be sent to Washington would be lost to our area forever. The Federal Government recognizes that many of our current economical and sociological problems are due to the poverty and lack of economical opportunities on the ranches, farms and small towns of our rural areas. To remedy this they have set up many special programs to aid the farmers and ranchers. The FHA makes many low interest, long term loans. The Rural Area Development has been initiated. In our own area the Cedar Creek Water Shed Project has been dedicated. This fee increase will seri-

ously challenge the ability of the farmers and ranchers to make their annual payments.

All of the members of our association operate family size units. Most of us have children who would like to remain on the ranch but with this threat to our capital structure, plus the increase in our operating costs, it is doubtful if there is a future for them on our farms and ranches. Perhaps it would be wiser to urge them to join the mass migration from the rural areas to the cities.

Very truly yours,

71 LIVESTOCK ASSOCIATION,
J. W. SWAN, *President*.

TO OPPOSE THE INCREASE IN THE PRICE OF GRAZING ON GOVERNMENT LANDS

Whereas the prices received for livestock, by the rancher and farmer, have not increased in proportion to the increased price in grazing, as is set forth in the schedules of the Dept. of Agriculture for the Forest Dept. and the Bureau of Land Management, and

Whereas such cost is only another burden being placed upon the ranchers and farmers who need this grazing to help raise livestock at a price that will show a margin of profit for said rancher and farmer to continue in the livestock business: Now, therefore be it

Resolved, That we ask the Grange to oppose any and all increases in the price of livestock grazing on all Forest and Bureau of Land Management Lands.

LEADORE GRANGE No. 341,
GEORGE B. HOWELL, *Master*.
NORMA CARLSON, *Secretary*.
SALMON RIVER POMONA GRANGE No. 21,
HERBERT BARNETT, *Master*.
LILA BARNETT, *Secretary*.
ROUND VALLEY GRANGE No. 275,
GEORGE LEEPER, *Master*.
MIRIAM BAXTER, *Secretary*.

LEGISLATURE OF THE STATE OF IDAHO

[First Regular Session]

[Fortieth Legislature]

IN THE HOUSE OF REPRESENTATIVES

HOUSE JOINT MEMORIAL NO. 3

BY WAYS AND MEANS COMMITTEE

A Joint Memorial to the Honorable Senate and House of Representatives of the United States in Congress Assembled

We, your Memorialists, the Senate and House of Representatives of the State of Idaho assembled in the Fortieth Session thereof, do respectfully represent that:

Whereas, the range livestock industry is a major industry of the State of Idaho; and

Whereas, the public lands comprise at least two-thirds of the land area of the State of Idaho; and

Whereas, the range livestock industry is dependent upon such public lands for grazing; and

Whereas, the proposed increased grazing fees upon such public lands shall cause great economic hardship and business failures within such range livestock industry: Now, therefore, be it

Resolved by the Senate, the House of Representatives concurring, That we most respectfully request that the Congress of the United States direct and require the Department of Agriculture and the Department of Interior to hold in abeyance all increases in the rates to be charged as grazing fees upon the public lands until such time as Congress has had sufficient time to study and

review the final report of the Public Land Law Review Commission: Be it further

Resolved, That the Clerk of the House of Representatives be, and he is hereby authorized and directed to forward copies of this Memorial to the leadership of the Senate and House of Representatives of the United States, and to the members of the Idaho Congressional Delegation.

EASTERN IDAHO GRAZING ASSOCIATION,
Blackfoot, Idaho, February 20, 1969.

CHAIRMAN,
Public Land Subcommittee, House Interior Committee, House of Representatives,
Washington, D.C.

DEAR SIR: This association, consisting of about eighty individual members in Southeastern Idaho—some engaged in the cattle business and other in the sheep business—and all users of public grazing lands, respectfully protest the proposed increase in grazing fees, as such increase can not be justified under the economic conditions of this area.

Respectfully submitted,

EARL W. CORY,
Secretary-Treasurer.

RESOLUTION

Whereas, the livestock industry is a vital segment of western states and Whereas, federal lands compose a large portion of the land available for the production of livestock and is a vital part of most livestock producer organizations and

Whereas, the Public Land Law Review Commission is now in the process of studying the federal land situation and

Whereas, there was an understanding between the livestock industry and the federal agency managing federal lands that no change would be made until the Public Land Law Review Commission made its report, and

Whereas, many other factors that represent a very significant part of the cost of a livestock operation have not been considered as a basis for the proposed fee increase: now, therefore, be it

Resolved, The Clark County Stockgrowers Association, Incorporated, at their meeting in Dubois, Idaho, on December 10, 1968, protest the raising of the grazing fee at this time. We therefore strongly urge that a fee increase be held in abeyance until hearings are held by appropriate congressional committees, and

Whereas, the Public Land Law Review Committee is now in the process of studying the Federal Land situation, no action on the fee increase should be made until this report is complete and submitted; Be it further

Resolved, That the senators and congressmen of Idaho and other interested parties be made aware of this resolution: be it further

Resolved, That a copy of this resolution be sent to The Honorable Secretary of the Interior, Stewart Udall; The Honorable Orville L. Freeman, Secretary of Agriculture; The Honorable Senator Len B. Jordan; The Honorable Senator Frank Church; The Honorable James McClure, Congressman; and The Honorable Orval Hansen, Congressman-elect.

Given under my hand and the seal of my office this 10th day of December, 1968.
DECEMBER 10, 1968.

LEE PETERSEN,
President, Clark County Stockgrowers Association, Inc.

CARIBOU CATTLEMAN'S ASSOCIATION,
Montpelier, Idaho, February 25, 1969.

Representative ORVAL HANSEN,
Washington, D.C.:

We are opposed to the grazing fee increase by the Forest Service and BLM this increased fee would syphon off money from the communities if the capitalized value of the permit is disregarded at the end of ten years the permittees assets will have diminished to the extent the permit was worth. The grazing fee in-

crease would lessen the incentive to spend private money on the public land as it is there is considerable private money invested in conservation on the public land that benefits everybody.

LEE S. WEDEL,
Secretary.

MONTPELIER, IDAHO, February 25, 1969.

Hon. ORVAL HANSEN,
House of Representatives,
Washington, D.C.:

The board of supervisors is very much opposed to the grazing fee increase as set forth by the Secretaries of Interior and Agriculture. It would bring to a halt the conservation that is now being applied to the public land by the means of private money and know how. The incentive to spend private money on conservation by the grazing permittee is to protect the capital he has tied up in the grazing permit. The total disregard of this permit value by the Secretaries will raise economic havoc with the permittees and make their ranching operations shaky.

BEAR LAKE SOIL CONSERVATION DISTRICT.

BEAR LAKE COUNTY FARM BUREAU,
Montpelier, Idaho, February 25, 1969.

Hon. ORVAL HANSEN,
House of Representatives,
Washington, D.C.:

We are opposed to the grazing fee increase by the Forest Service and BLM. This increased fee would syphon off money from the communities. If the capitalized value of the permit is disregarded, at the end of ten years the permittees assets will have diminished to the extent the permit was worth. The grazing fee increase would lessen the incentive to spend private money on the public land. As it is there is considerable private money invested in conservation on the public land that benefits everybody.

MAX BATSCI,
Committee Chairman.

BEAR LAKE LAND AND LIVESTOCK Co.,
Montpelier, Idaho, February 26, 1969.

Hon. ORVAL HANSEN,
House of Representatives,
Washington, D.C.:

We are opposed to the grazing fee increase by the Forest Service and BLM. This increased fee would syphon off money from the communities if the capitalized value of the permit is disregarded, at the end of ten years the permittees assets will have diminished to the extent the permit was worth. The grazing fee increase would lessen the incentive to spend private money on the public land. As it is there is considerable private money invested in conservation on the public land that benefits everybody.

MAX BATSCI,
President.

BEAR LAKE CATTLEMEN'S ASSOCIATION,
Montpelier, Idaho, February 25, 1969.

Representative ORVAL HANSON,
Washington, D.C.:

We are opposed to the grazing fee increase by the Forest Service and BLM. This increased fee would syphon off money from the communities. If the capitalized value of the permit is disregarded, at the end of ten years the permittees assets will have diminished to the extent the permit was worth. The grazing fee increase would lessen the incentive to spend private money on the public land as it is there is considerable private money invested in conservation on the public land that benefits everybody.

WALTER UNZEKER.

Mr. BARING. The Chair would like to put in a few more letters here that were given to him by Eyer H. Boies, county commissioner, Elko County, Nev., as an individual and as a county commissioner; Norman Glaser of the Nevada Legislature; White Pine County Chamber of Commerce of Ely, Nev.; Wayne Gonder of the Gonders Ranch in Garrison, Utah; Wayne Gonder, White Pine County Farm Bureau, Baker, Nev.; Steptoe Mill and Smeltermen's Union No. 233, Thomas Stores, McGill, Nev., and the testimony of Robert Thomas, Nevada Farm Bureau, Paradise Valley, Nev.

Without objection, they will be made a part of the record as if read.
(The documents follow:)

BOIES RANCHES,
Wells, Nev., February 21, 1969.

HON. WALTER S. BARING,
Public Lands Subcommittee of House Interior Committee, House Office Building, Washington, D.C.

DEAR CONGRESSMAN BARING: Elko County Nevada is the third largest county in the continental United States. Our population is sparse including only three incorporated towns.

These rural communities are extremely dependent upon the ranching economy. In turn, the ranchers are vitally dependent upon the federal ranges.

Several years ago we were enjoying a healthy economy. Recently we have felt it gradually returning. An undue increase in Forest Service and BLM grazing fees will not only halt this trend but will undoubtedly reverse it.

The local governments in this truly rural area of America should not be dealt the back of the federal governments hand. Rather the advice, influence and great power from Washington, D.C. should be directed toward helping rural America not only to survive but to once again prosper and consequently be increasingly self sufficient entities of government not dependent upon federal and state subsidies.

As an elected county government official I sincerely hope that you will immediately revoke this increase and freeze these fees until you and the other knowledgeable members of Congress can set by law a reasonable fee that cannot be tampered with by the whim of individuals.

Respectfully yours,

EYER H. BOIES,
Elko County Commissioner.

BOIES RANCHES,
Wells, Nev., February 21, 1969.

HON. WALTER S. BARING,
Chairman, Public Lands Subcommittee of House Interior Committee, House Office Building, Washington, D.C.

DEAR CONGRESSMAN BARING: Ninety-three percent of the range utilized by our livestock is owned by the federal government. My families livelihood depends upon our livestock utilizing this public domain range adjacent to our privately owned land. We consider ourselves good tenants. Conservation of this range, protection of the watersheds and continual improvement of this resource is more important to us than to any other person or persons on earth.

We are buying my parents interest in our ranching operation and the value agreed upon included the privilege of running cattle on the BLM permit.

In my opinion only a very modest increase in fee may be tolerable without financial calamity overwhelming us.

Please, Sir, do your duty, revoke this increase and freeze these fees until you and the other knowledgeable members of Congress can set by law a reasonable fee that cannot be tampered with by the whim of individuals.

Respectfully yours,

EYER H. BOIES.

RESOLUTION No. 10

Whereas the Secretaries of Agriculture and Interior have announced grazing fee increases of up to 3 hundred percent (300%) over the next ten (10) year period; and

Whereas the Public Land Law Review Commission was formed by Congress for the purpose of reviewing all Federal Land Laws, including grazing fees; and

Whereas any fee increase at this time will be premature since the Public Land Law Review Commission has not yet completed its studies: Now, therefore, be it hereby

Resolved, That the Nevada State Association of County Commissioners vigorously opposes any grazing fee increases or decreases until such time as the Public Land Law Review Commission shall have completed its studies.

Passed at the November 1968 Nevada State Convention at Ely, Nev.

RESOLUTION

Be it hereby

Resolved, That the Board of Commissioners, County of Elko, State of Nevada, pursuant to formal action unanimously taken at a regular meeting held on December 6, 1968, does protest the Bureau of Land Management's proposal to increase livestock grazing fees for use of the public domain.

Opposition to the proposed increase is premised on the fact that a Land Review Commission is presently making a study of the subject of grazing of livestock on the public domain and any action by the Bureau of Land Management to increase the fee structure prior to the filing of the actual findings and recommendations by said Land Review Commission is precipitous and unwarranted. Secondly, the livestock industry in Elko County bears a substantial portion of the ad valorem tax burden, approximately thirty (30%) per cent of this total tax burden, while receiving a very low return of their investment made, and an increase of the grazing fees, as proposed, would be a heavy burden upon the livestock operators in Elko County.

Resolution passed upon Motion made by Commisisoner A. A. Cuthbertson and seconded by Commissioner John C. Carpenter: Resolution unanimously passed.

Dated: December 6, 1968.

E. C. MURPHY, Jr.,
Chairman of the Board of County Commissioners,
County of Elko, State of Nevada.

Attest:

R. L. KANE, Clerk.

NEVADA LEGISLATURE,
February 24, 1969.

Representative Walter S. Baring and Members of the Public Lands Subcommittee of the House Interior Committee.

GENTLEMEN: As a member of the Nevada State Legislature, currently in session, I present to you a copy of Assembly Joint Resolution No. 3 adopted by the Nevada Legislature and approved by the Governor of the State of Nevada on February 5, 1969, relative to the proposed grazing fee increase.

By the adoption of this resolution the Nevada Legislature recognizes that historically our state's economy has been undergirded by a basic industry—livestock raising.

The livestock-supporting tax base constitutes less than 15 percent of the land area lying within the boundaries of Nevada. More than 85 percent of the State of Nevada is composed of public lands.

Thus, the livestock industry, in Nevada more than any other state in our Union, is dependent on the utilization of public lands.

This resource value, grass, has been converted into beef and thence into dollars, and has help to support the growth of our communities and our state.

Any increase in fees assessed by the Federal Government for revenue purposes extracts a convertible natural resource value from the state, thereby reducing the amount of money available to flow into the economy generating business, taxes and new wealth.

Because of our narrow tax base, Nevada has legalized gambling, which helps support State government, our public schools and our university system. Gambling as a highly volatile industry upon which to base a tax and operate a state government, and property taxes still generate more revenue than gambling taxes in spite of our narrow tax base.

We in the Nevada Legislature seek to protect and enhance our basic industries such as agriculture and mining.

We deplore the extraction of natural resource values, convertible into fees, which if allowed to stand in the magnitude proposed (372 percent) will "dry gulch" many Nevada communities, necessitating the implementation of federal and state remedial programs in an exercise of bureaucratic roundelay.

NORMAN D. GLASER,
Assemblyman, Nevada Legislature.

STATE OF NEVADA, ASSEMBLY JOINT RESOLUTION No. 3

Memorializing the Secretary of Agriculture and the Secretary of the Interior of the United States to reconsider the increase in grazing fees on federal lands

Whereas, the Secretary of Agriculture and the Secretary of the Interior of the United States have announced grazing fee increases of up to 300 percent over the next 10 years; and

Whereas, the Public Land Law Review Commission was formed by the Congress of the United States for the purpose of reviewing all federal land laws, including those pertaining to grazing fees; and

Whereas, any fee increase at this time is premature, since the Public Land Law Review Commission has not completed its studies on the matter: Now, therefore, be it

Resolved by the Assembly and Senate of the State of Nevada, jointly, That the Legislature of the State of Nevada vigorously opposes any increase or decrease in the grazing fees on federal lands until such time as the Public Land Law Review Commission completes its studies and urges the Secretary of Agriculture and the Secretary of the Interior of the United States to reconsider the action already taken to increase such fees; and be it further

Resolved, That copies of this resolution be prepared and transmitted forthwith by the Legislative Counsel to the Secretary of Agriculture and the Secretary of the Interior of the United States and to each member of the Nevada Congressional Delegation.

Adopted by the Senate January 31, 1969.

ED FIKE,
President of the Senate.
LEOLA H. ARMSTRONG,
Secretary of the Senate.

Adopted by the Assembly January 27, 1969.

HOWARD M. MCKISSICK,
Speaker of the Assembly.
THERESA LOY,
Chief Clerk of the Assembly.

Approved by the Governor, February 4, 1969.

PAUL LAXALT, *Governor.*

CHAMBER OF COMMERCE AND MINES,
Ely, Nev., February 21, 1969.

HON. WALTER BARING,
*Congressman from Nevada,
New House Office Building,
Washington, D.C.*

DEAR WALTER: At a recent meeting of the White Pine Chamber of Commerce and Mines Board of Directors, the Board went on record opposing the grazing fee increase as proposed by the U.S. Forest Service and the Bureau of Land Management.

The Board of Directors opposed the grazing fee increase on the basis that the livestock and agriculture industry in White Pine County is most important to its economy, and, the people of this industry in our area have advised the increase could jeopardize their interests if imposed.

You are urgently requested to oppose legislation or any other effort, on the national level, that would encourage increasing the grazing fee.

Your cooperation in this urgent matter will be appreciated.

Sincerely,

N. E. BROADBENT, *President.*

GARRISON, UTAH, February 20, 1969.

Congressman WALTER S. BARING,
Chairman, Public Land Subcommittee,
House Office Building, Washington, D.C.

DEAR CONGRESSMAN: Gonders Ranch of Garrison, Utah offers the following statement in opposition to the increase in grazing fees made by the Dept. of Interior and Dept. of Agriculture and to the deviation from the previous formula.

We recommend the continued use of the previous fee formula, based on current prices of livestock. A fee formula based on livestock prices is a far more reliable and stable basis upon which to determine fee rates than one based on forage value on leased and private lands.

Such charges for use of forage do damage to Congressional effort to establish multi-purpose users of federal land to the benefit of all citizens. There has been much talk of revitalizing rural America and creating economic parity for agriculture. With livestock producers caught in an unprecedented cost-price squeeze, these proposals (for the rate increase) will obviously hurt the income situation for agriculture very much.

According to recent studies made by the Department of Agriculture Statistical Reporting Service, ranchers are receiving a return of only 2% on their investments. This does not include capitalization of the grazing permits or the improvement there on.

According to tests and studies made in our own breeding herd of cattle in 1968, it was found 95% of the cows grazed on private land were pregnant, while only 54% using Forest Service land, and approximately only 50% using B.L.M. land were with calf. We find this information basically coincides with conditions in Nevada, especially the southern portion, where the calf crops are at least 40% larger from cattle on private lands. Calf and steer weights are also greater on private lands.

From these studies we maintain the livestock industry can not afford to pay an additional grazing fee, because the returns from cattle grazing on Federal land are much lower than from those grazing on private land.

Very truly yours,

OWEN L. GONDER,
WAYNE D. GONDER,
Gonders Ranch.

BAKER, NEV., February 20, 1969.

Congressman WALTER BARING,
Chairman of Public Land Subcommittee of House Interior Committee, House
Office Building, Washington, D.C.

DEAR CONGRESSMAN BARING: White Pine County, Nevada, Farm Bureau strongly opposes the recent actions of the Secretary of Interior and the Secretary of Agriculture in raising in increment steps, grazing fees upon public lands.

Evidence indicates there is no justification for escalating grazing fees at this time. We contend all federal agencies administering public lands should withhold any changes in basic policy fees and regulations for use until the Public Land Law Review Commission has completed it's study and made it's report.

The livestock industry at the present time is caught in a cost-price squeeze with parity at or near an all time low. Any further costs would threaten the very existence of the western livestock industry and the communities dependent upon it.

According to recent studies made by the Department of Agriculture Statistical Reporting Service, ranchers are receiving a return of only 2% on their investments. This does not include capitalization of the grazing permits or the improvements thereon.

Failure of the federal agencies to take into account the grazing permit as a capital asset or investment in determining costs of grazing upon private lands versus public lands, is a mistake. Such permits have been paid for in most cases with hard cash or money borrowed at high interest rates and are part of the value placed upon ranching property.

This study compares the cost between operating on public land and private land, but does not consider the greater economic return from operating on private land as opposed to federal land. The calf crop in Nevada, especially the southern portion, is at least 40% larger from cattle herds grazing on private lands. Calves are heavier and steers weigh greater on private land.

We recommend the continued use of the previous fee formula, based on current prices of livestock. A fee formula based on livestock prices is a far more reliable and stable basis upon which to determine fee rates than one based on forage value on leased and private lands.

Very truly yours,

WAYNE D. GONDER,
White Pine County, Nevada, Farm Bureau,
Legislative Director.

STEPTOE MILL & SMELTERMEN'S UNION No. 233,
UNITED STEELWORKERS OF AMERICA,
McGill, Nev., February 22, 1969.

Congressman WALTER BARING,
Chairman, Public Land subcommittee,
House Office Building, Washington, D.C.

DEAR CONGRESSMAN BARING: Local 233 United Steelworkers of America and Local 124 at Ruth would like to take this opportunity to ask you to strongly oppose any increase in grazing fees at this time.

We urge you to use your good offices to see that no increase is put into effect until after the Public Land Law Review Commission has completed its study and made a complete report.

Any increase in grazing fees at this time would not only put a burden on the Ranchers here in Nevada but eventually have to be added to the cost of living which, would increase the cost to Nevada by forcing ranchers out of business.

Your consideration to this serious situation will be appreciated.

Sincerely yours,

THOMAS EL. JONES,
President, Local 233.

STATEMENT OF ROBERT F. THOMAS, NEVADA FARM BUREAU FEDERATION,
PARADISE VALLEY, NEV.

I came here not to prepare a legal brief because a legal mind I do not have, but instead I came here to attempt to convey to you the thoughts of my fellow livestockmen in Nevada. We are residents of the State of Nevada and we are mighty proud of it. Nevada is one of the 50 states that make up the United States of America and we are extremely proud of her, but what we can't understand nor conceive is how a department of government would attempt to mislead our legislative branch of government into believing that a fee increase is warranted. You, the representatives of Congress are our last hope for a reprieve, and we are indeed grateful to you for having provided this opportunity to tell our story.

Our problem lies in 4 different areas. These are our ability to pay the fee increase, conservation of the natural resources, recreation and wildlife, and the image of the livestockmen. It is the latter that has done more to hurt us than any other single thing. We are thought of by many to be cattle barons who drive Cadillacs, smoke cigars, and in short are the last of the big spenders. Some think that we are intent in destroying the natural resources, killing the game and running rough shod over everybody while we make a fast buck. I can assure you this picture is not so. There is a new breed of cowboy out west these days. He is an individual that is extremely concerned with the conservation of the natural resources. The livestock permittees on the federal lands are actively engaged in range improvement projects and water developments which improves the watersheds and increases the opportunity for wildlife and recreation. Contrary to the thoughts of many, livestock grazing and wildlife are not only compatible, but desirable. Records in Nevada show that prior to livestock grazing the deer numbered but a few hundred, while today in conjunction with livestock grazing they number many thousand. There are documented reasons for this which can be obtained from the University of Nevada.

At best, Nevada is a second class state. Eighty six percent of our land is federally owned which makes us one seventh of a state when compared to our sister states in the east who have virtually no federally owned land within their borders. Surely our forefathers did not envision inequities of this kind when

they laid the foundation of our country. Today these lands are locked in federal ownership which for all practical purposes makes us dependent upon the government for our livelihood. Through the years, Congress has permitted these lands to be used for various purposes. One of these uses has been livestock grazing which has been regulated by the Taylor Grazing Act. This act was conceived to stabilize the livestock industry dependent upon Federal land. It has worked reasonably well. However, in recent years it appears the administrators are determined to destroy, not stabilize, the one industry that has done so much to settle the West, stabilize the economies of the public land states, and in recent years, make appreciable contributions to conservation of our natural resources.

As the consequence of a study that was made by Utah State University, the Forest Service and Bureau of Land Management have arbitrarily decided to raise grazing fees even though the report shows conclusively that if all costs are taken into consideration, a fee increase is not warranted. They have interpreted the report in a manner that they wanted and used it to substantiate their claims for a fee increase.

This report which was made by Darwin Neilsen and Keith Roberts shows that the ranchers using public lands are only making a 2% return on their investment. My first reaction to this was that no agency of government would deny an individual in this day and age a 2% return on his investment. However, recent actions have shown that there are two that will, the Dept. of Agriculture and Dept. of Interior.

The ranchers in Nevada are scared. They paid my way to Washington, D.C. to try to get across to somebody that they can't afford a 90¢ per AUM increase in grazing fees. I've asked myself a hundred time what can be said to make somebody listen. We have told everybody we know that the returns on our investment will not permit us to pay more, but nobody listens. The old steam roller that is about to run us down, just keeps rolling along.

In 1963 the University of Nevada made a study on the Range Cattle Industry in northeastern Nevada. It showed that the small ranchers were making a minus 2% return on their investment, the medium size rancher plus .4% and the large rancher 1.5% return on their investment. If you were looking for a place to invest money, this would hardly be an area to become elated about.

To follow this report up and get the picture more in perspective, I asked six ranchers to use the formula devised by the University of Nevada to determine the returns they had made on their investments in the current years of 1966, 67, and 68. The results showed a minus 3% return on their investment.

To get a little closer to home and talk about something I know more about, I am going to use my own ranching operation as an example of what the fee increase will mean to me. My ranching operation is medium sized. I live neither lavishly nor in poverty. I am in the ranching business because it is all I know. I'm staying in it because it is too late to get out and start a new life. My children have been advised to seek their fortunes somewhere other than in ranching and if the fee increase goes through, I'm confident they will, if not by choice, by force. Last year the return on my investment was .8 of one percent which by any standards isn't excessive. If the fee increase goes through, the return on my investment will be cut to .2 of one percent. The actual cost of the increase as it relates to return on investment would be .6 percent.

Some of the administrators of the public lands have said that the grazing fee was such a small percent of the overall operating cost that an increase would not be noticed. I readily admit that a decrease of .6 percent return on your investment is not large, but when you take into consideration that you were only making .8% return before the increase, that makes the .6% huge.

I suppose that from my testimony so far you assume I'm angry at everybody, but this is not necessarily so. What trouble we have lies here on the Potomac and not out West. I'm happy to announce that among the local administrators of the BLM and Forest Service are some of the finest people we have had an opportunity to work with in some time. A spirit of co-operation has sprung up between the ranchers and administrators. Progress is being made. Marginal lands are being converted to productive grazing lands. Water developments are assisting the wildlife. Watersheds are improving. Management plans are being signed by the ranchers that will assure proper use and protection. If the fee increase goes through, this spirit of cooperation will be destroyed. After all, bankruptcy hardly gives one an incentive to co-operate.

At this time, I would like to commend Senator Alan Bible for having made this new look possible. Some years ago an appropriation was sent to Nevada, as an consequence of the Senator's effort, to try to improve the public lands in a selected area. The results have been unbelievable, and have paved the way for future progress.

However, taxpayers monies have been spent on some of these improvement projects, and they must be paid back. Within our own industry we have been talking for the last three or four years on ways to accomplish this objective. Give us time, and we will succeed. This is not the time or place to discuss how this can be done, but a blanket fee increase is not the answer. It would break our backs before we had an opportunity to sufficiently recover enough to pay back anybody.

We are not here asking for a subsidy, a hand out, or sympathy. All we want is an opportunity to survive. An opportunity to be equals with other businessmen, and not be considered second class citizens. If you could see fit to give us a sympathetic ear, it would be appreciated.

Thank you again for having been allowed to appear before you representing the ranchers from Nevada.

Mr. BARING. The next witness is the Honorable James A. McClure of Idaho.

STATEMENT OF HON. JAMES A. McCCLURE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IDAHO

Mr. McCCLURE. Mr. Chairman, I thank you for the opportunity to appear and for the opportunity to hold these hearings. I thank both of you and the chairman of the full committee for this opportunity to expose this problem. I would ask unanimous consent that my statement be read into the record and that certain statements and communications which are listed in the statement be made a part of the record and that other correspondence be made a part of the file of the committee.

Mr. BARING. Without objection, so ordered.

Mr. McCCLURE. I thank the Chair.

Mr. BARING. Thank you.

(The statements follow:)

STATEMENT OF HON. JAMES A. McCCLURE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IDAHO

Mr. Chairman, on February 25, 1969, the State Legislature of Idaho memorialized the Congress as follows:

Whereas, the range livestock industry is a major industry of the State of Idaho; and

Whereas, the public lands comprise at least two-thirds of the land area of the State of Idaho; and

Whereas, the range livestock industry is dependent upon such public lands for grazing; and

Whereas, the proposed increased grazing fees upon such public lands shall cause great economic hardship and business failures within such range livestock industry.

Now, therefore, be it resolved by the Senate, the House of Representatives concurring, that we most respectfully request that the Congress of the United States direct and require the Department of Agriculture and the Department of Interior to hold in abeyance all increases in the rates to be charged as grazing fees upon the public lands until such time as Congress has had sufficient time to study and review the final report of the Public Land Law Review Commission.

That memorial passed both the upper and lower chambers of the legislature without a dissenting vote. The Idaho House and Senate are composed of conservationists, small businessmen, sports enthusiasts, as well as ranchers and livestockmen. One member is the president of the woolgrowers association. Another is past president of the Idaho Wildlife Federation. Despite the presence of men with such diverse views, there was nevertheless, absolute unanimity when it came to the increase in grazing fees.

I appear here today in response to that petition, in response to many requests and as a matter of personal conviction, and I speak for the overwhelming number of Idahoans who view with alarm the government's precipitate action of last November.

As you yourself know, Mr. Chairman, the problems inherent in States that are predominantly owned by the Federal Government—the so-called public land States—are seldom fully understood by our friends from the East. We have no better opportunity to illustrate these problems than we do right here and now with regard to grazing fees.

The 1966 grazing fee study revealed that Forest Service permittees were paying more than full market value for forage used and that B.L.M. permittees on the average were paying ten cents per animal unit month less than full market value for forage used. So, a small fee increase could be justified for B.L.M. lands, but certainly none for Forest Service lands. Under no circumstances is a 400 percent increase justifiable by any measurement.

First, there is the matter of commensurate lands. In order to get a grazing allotment you have to have base lands which will sustain the operation the balance of the year. An increase in the grazing fees automatically means a reduction in the lands, and a reduction in the value of public lands automatically means a reduction in the value of the base lands.

How the loss in these lands has a "multiplier" effect on the surrounding economy is illustrated in a statement issued by the Idaho State Farm Bureau. They say:

A decrease in ranch prices would result in a decreased local tax base. Idaho already has a real property tax struggle with two-thirds of the land area belonging to the Federal Government; we can afford nothing that would jeopardize the remaining one-third area used for local tax base.

Public domain lands are always improved by the permittee. He fences off his property, removes the brush, provides watering troughs and stock salt, controls weeds, and often maintains some road access. These improvements are *not* financed by the public, although they inevitably enhance the public values. If a road is improved, it increases the accessibility of these lands for one and all. Indeed, without some of these improvements, recreationists often wouldn't even be able to get into the area.

To some, it must appear that the use of these lands constitutes a windfall to the stockman—a special privilege for a few at the expense of the many. Nothing could be further from the truth. Figures supplied by the Snake River Cattlemen's Association illustrate why.

The Association says that during 1968 it required 458 man hours of labor and 1,800 miles of travel to maintain the range. This year there

will be an additional expense in building 3 miles of water line and 2 miles of drift fence—all necessary to graze 558 head of cattle.

The Macon Flat Cattle Association puts it this way :

... we believe we are entitled to a fair return on our investment in grazing permits as well as our investment in such permanent range improvements as water development, sagebrush spraying, fencing and corrals. While our operation cost has risen, the return on our product has decreased or at best remained static.

The Homedale, Idaho, Chamber of Commerce has taken this a step further. The projected increase will cost cattlemen of Idaho an estimated \$1,725,572. Locally, the Chamber pegs the cost of the increase to Owyhee County cattlemen at \$331,652, and says:

The effect on the business economy of Homedale would be depressing and not make the outlook very bright for many of our small businesses * * *. The Homedale Chamber views the grazing fee increase in direct conflict with programs designed to maintain the small family farm, and since most of our farms and ranches in the country are small, the result would cause more of our rural people to migrate to the urban areas.

The life of the stockman is not an easy one. Albert J. Cottle of the Raft River Cattleman's Association wrote to me recently about the labor he put into his permit. "From 1954 to 1963," Mr. Cottle says, "we hauled water in a truck with a tank to the northern end of this range. We would make from 1 to 4 trips of from 5 to 10 miles in distance for about 2 months of the year * * *. In 1963 we finally formed an agreement with the BLM to drill a well on BLM land about 25 feet from the Forest Boundary. The Forest Service would not participate in the drilling expense * * *. The BLM finally gave it up as a bad venture. So, my partner and I hired a private well driller to come in. He finished drilling to a depth of 450 feet. My share of the cost of well drilling was \$210, while the pump and installation cost me \$989."

On the other side of the coin from increased costs is greater losses. The cost-price squeeze decreases the value of the permits and commensurate lands. Some stockmen will be forced out of business, and I wonder, in passing, just when government policy will stop being oriented in that direction.

Another important factor in the matter before us today is the non-exclusive nature of the permits. If you rent private lands, they are yours to use as you see fit. But with the public domain, any private citizen can share the use of the lands. A friend of mine, who runs cattle in the upper reaches of Hells Canyon, has to hire a man during hunting season just to keep his cattle off the road. In that steep terrain, the hunters run them up and down the road all day and the loss of weight is the difference between profit and loss.

Obviously the permittee is only allowed to use a portion of the land, although the improvements he has made—thereby enabling other citizens to share in its use—are costs that he alone must bear.

The Idaho Livestock Production Credit Association tells me it is already financing marginal loans because of increased costs to the rancher. They say that the increased fees put them in an "extremely difficult position." The increases will also endanger repayment of many Farmers Home Administration loans, since those loans were based on the old grazing fees. And something must be said about the inconsistency of one branch of the government jeopardizing loans issued by another.

The Committee on Interior and Insular Affairs has made it clear that there should be no changes in the basic law until the Public Land Law Review Commission issued its report. And it was common knowledge prior to November 14 that the government had put major changes in grazing fees off limits until that study is completed. Compounding the confusion was the fact that the changes were to go into effect at a time of transition—new regulations proposed by those leaving the government to be administered by those coming in.

Regardless, ranchers are now faced with the reality of increased fees, and it is up to Congress to correct the injustice. The least we can do is to go on record in opposition, as we are doing today. On the other hand, the most we can do is to restore to the agricultural community a measure of faith in their government. Let us reaffirm the principles of the Taylor Grazing Act that fees will be reasonable or as has been sometimes said that they must be just and equitable. Let the committee go on record—with affirmative legislation if necessary—that the grazing fees proposed are ill-timed, ill-considered, and illegitimate.

Mr. Chairman, I ask that at the appropriate place in the record of these hearings there be printed statements by Governor Don Samuelson, Walter E. Little of the Idaho Woolgrowers' Association, the Idaho State Chamber of Commerce, the Idaho State Farm Bureau, the Idaho Citizens Grazing Association, the Caribou Woolgrowers Association, the Macon Flat Cattle Association, the Homedale Chamber of Commerce, the Snake River Cattlemen's Association, the Custer County Livestock Marketing Association, the Marsing Chamber of Commerce, the Raft River Cattleman's Association, and the Idaho Livestock Credit Association. Each of these groups has requested that their statement be presented to the Committee.

I also submit for the Committee files some of the communications I have received from other citizens since these hearings were announced.

STATEMENT OF HON. DON SAMUELSON, GOVERNOR OF IDAHO

We in Idaho are greatly encouraged by the interest that is being generated and the concern shown over the proposed increase in grazing fees on federally owned lands. The scheduled hearings give us renewed hope in our system of government whereby each and every one of us have an opportunity to express our opinion regarding the management of our heritage.

When the proposed increases were announced our livestock operators expressed deep concern. It appears that the studies conducted by the Economic Research Service determined the fees paid for grazing on private land, and subsequently used as justification for the proposed increases, had not included several cost items of significant importance when arriving at this figure. I am sure that most of the statements you have received objecting to fee increases have emphasized these points.

Many of Idaho's livestock operations are only a part of an overall agricultural enterprise and are a supplement to these enterprises. They can be classified as family sized units. The proposed grazing fee increase appears to be inconsistent with the professed national agricultural policy. It has been stated many times that we need to support and maintain these family size operations. In addition, many Federal programs are now in effect and much money has been appropriated to accomplish this fact by aiding these good people in their endeavors.

One of the programs of the USDA Farm Home Administration is to encourage, assist in, and finance cooperative grazing associations. Many of these associations have been formed and most of them will obtain much of their grazing from federally owned land. The schedule of repayment of these loans has been

calculated on grazing fees in effect at the time these loans were made. They are repayable over a very long period of time. It is very probable that many of them would have been classified as economically unfeasible if the proposed fees for grazing on federally owned land had been used in calculating the annual charges required to pay out on these loans. The increased cost will undoubtedly place many of these loans in jeopardy and could be responsible for the failure of these endeavors that were fostered, encouraged and implemented by our own USDA.

Another point of concern here in Idaho is the great lack of information concerning the economic impact these proposed increases will have on our communities, counties, and State. You are aware of the large percentage of the lands in our State that is federally owned and, therefore, under the jurisdiction of the Forest Service and the Bureau of Land Management. Also, I am sure you realize that agriculture is our largest single industry. We feel that this economic impact information should be gathered and thoroughly studied before an increase in grazing fees becomes effective.

Our own land grant institution, the University of Idaho, was awarded the contract to study forages on public lands in the Western States and prepare a forage recommendation report for the Public Land Law Review Commission. This report will be completed in April of this year. It appears that action taken as planned by the respective agencies before this report is analyzed would be presumptive and premature.

We often hear the comment that livestock operations are not paying their fair share for the use of our publicly owned lands and are using these lands at the expense of the general public. It is our opinion that these statements are being made by single-use groups who do not individually pay for the use of these lands. Congress and the Nation needs to know that proper range management does not only benefit the livestock interests. It also means better forage and cover for wildlife, less concentrated use by livestock in areas where wildlife and human use is needed and is a sound tool for forest or range fire prevention or control.

I extend to you a cordial invitation to visit our State and determine personally what our problems are. We would like to have you observe firsthand what has been accomplished by our livestock people. They have assisted greatly in the improvement of these range lands and made them more desirable and more useful to the nonagricultural public. Statistics will bear me out that the roads, range improvement practices, and cultivated land developments have made our remote lands more accessible and the wildlife population has measurably increased in an overall sense.

Again I stress the point that Congress has appropriated considerable funds for the purpose of determining the best use and management of all Federal lands through the various committees of the Public Land Law Review Commission. I respectfully request and urge that the grazing fee increase be held in abeyance until this Commission has made its recommendation.

Thank you for the opportunity to present this statement.

STATEMENT OF WALTER E. LITTLE, PRESIDENT, IDAHO WOOLGROWERS' ASSOCIATION

Mr. Chairman and members of the committee, my name is Walter E. Little. I am a member of the Idaho Legislature and president of the Idaho Woolgrowers' Association. I am a livestock operator and graze both sheep and cattle on public land that my father used before it was under BLM or Forest Service management. I appear here today on behalf of the people of Idaho, the Legislature of Idaho, and the Governor of Idaho to express our deep concern over the grazing fee increases order by the Department of the Interior and the Department of Agriculture to graze livestock on BLM and Forest Service lands.

Idaho communities and ranchers will receive a serious economic blow if the new grazing fee regulations recently announced by the Department of Agriculture and the Department of the Interior of some 300 percent increase over the next 10 years are left in effect. This must represent the most drastic adjustments of grazing fees ever imposed.

Let's briefly look at the State of Idaho so you can better understand our concern. Over two-thirds of the land in Idaho is Federally owned. The Range Livestock Industry is the number 1 industry in Idaho in dollar volume, making up

30% of the total production of our State. Over one-half of the livestock in the State of Idaho graze on the public lands at one time or another during each year. Grazing fees are a matter of prime importance to the range livestock operators.

Idaho has less than a million people, yet 9.1% of the total animal unit months for cattle and sheep on Federal lands administered by the U.S. Forest Service and the Bureau of Land Management are in the State of Idaho. This equals 1,954,147 A.U.M.S. Range livestock operators in Idaho are dependent upon the availability and use of the Federal grazing lands to supply feed and water during those periods when these are not available on the private lands. The utilization by livestock of the forage growing on the Federal lands and its conversion into food and fiber results in the creation of original wealth, a local, State, and national benefit. The ranchers' income from this production is the source of the taxes he pays to the School Districts, Cities, Counties, State, and Federal Government, and also for his purchases that are so vital to the local communities in Idaho.

Grazing use of these Federal lands is the only economical way to harvest the forage from these lands in conjunction with private lands to form a year-round livestock operation to produce food and fiber that contribute to the State and Nation's wealth.

Mr. Chairman, we have taken a quick look at the State of Idaho, so I would like to point out some of the problems facing the livestock operators in our State at this time. We have been receiving about 70% of parity for our products for many years, yet the cost of operation has gone up continuously. Many small livestock operators have only been able to survive by working at other jobs part time and by being able to borrow more money on their private land. It seems there is great concern about the migration of people from the farms and rural communities to the already over-crowded cities. The fee increase, if left in effect, will only accelerate this movement.

Mr. Chairman, the people of Idaho support the multiple use concept of the public lands of our State. With less than one-third of the land of our State in private ownership, we need timber production, water for irrigation, mining and recreation, along with grazing, to aid the economy of our State. These all have a very important part in our overall economy. It is our hope that grazing use will not be jeopardized by an increase of up to 300% in grazing fees.

In Idaho we have many grazing associations that were financed by the Farm Home Administration to purchase additional grazing on both private and Federal lands. Their repayment ability was figured on the old fee schedule. The fee increase will assure the inability of these people to repay their loans.

Mr. Chairman, there seems to be the question in the minds of many people, "Do the Secretaries of Agriculture and the Interior have the authority to raise grazing fees in this magnitude, or is this the duty of Congress?"

Many people in Idaho not in the range livestock business are very much concerned, and at this time I would like to read a Statement from the Governor of our State, since he is unable to be here and asked me to present it for him. I also have a Joint Memorial from the Idaho Legislature which I would like to present to you.

Mr. Chairman, in summary we would refer to Section 3 of the Taylor Grazing Act providing for the establishment of "Reasonable Fees." We contend any fee that will jeopardize the economy of Idaho *is not reasonable*.

We appreciate the opportunity to be present at this Hearing to express our views about the new regulations.

We hopefully anticipate favorable results from this Hearing.

Thank you, Mr. Chairman.

IDAHO STATE CHAMBER OF COMMERCE,
AGRICULTURE AND INDUSTRY,
Boise, Idaho, February 25, 1969.

HON. WALTER E. LITTLE,
Idaho State Representative, Statehouse

DEAR MR. LITTLE: The Idaho State Chamber of Commerce respectfully requests that you submit the attached resolution for the record in hearings to be conducted by United States Senate and House Committees regarding proposed increases in grazing fees.

We are pleased to report that the resolution also has been endorsed by the following local Chambers of Commerce in Idaho: Ashton Chamber of Commerce,

Burley Chamber of Commerce, Council Chamber of Commerce, Gem County Chamber of Commerce, Gooding Chamber of Commerce, Homedale Chamber of Commerce, Mountain Home Chamber of Commerce, Nampa Chamber of Commerce, Oakley Chamber of Commerce, Paul Chamber of Commerce, Preston Chamber of Commerce, Rupert Chamber of Commerce, St. Anthony Chamber of Commerce, Shoshone Chamber of Commerce, Stanley Chamber of Commerce, Twin Falls Chamber of Commerce.

Yours very truly,

HUGH A. WILSON,
Executive Vice President.

IDAHO STATE CHAMBER OF COMMERCE,
AGRICULTURE AND INDUSTRY,
Boise, Idaho.

IDAHO STATE CHAMBER OF COMMERCE

RESOLUTION

Whereas representatives of the livestock industry in Idaho and the western states have expressed serious concern over proposals to comply with the Bureau of the Budget's circular A-25, requiring full, fair-market value for forage resources on lands administered by the Bureau of Land Management; and

Whereas the purpose of the Taylor Grazing Act, as amended, was to "stop injury to the public grazing lands by preventing overgrazing and soil deterioration, to provide for their orderly use, improvement and development and to stabilize the livestock industry dependent upon the public range, and for other purposes"; and

Whereas this Act, the basic conservation and grazing authority for the Bureau of Land Management under section 3, indicates that a permittee is to pay an annual "reasonable" fee; and

Whereas a fair-market fee is not compatible with a "reasonable" fee and does not contribute to one of the basic purposes of the Taylor Grazing Act, which is stabilization of the livestock industry; and

Whereas the Congress is concerned with correcting the plight of agriculture, which is now at 73 per cent of parity; and

Whereas the Public Land Law Review Commission already has under way studies and discussions on forage problems on Federal public lands and on revenue-sharing from these resources with states and counties: Now, therefore, be it

Resolved, That these proposed increases not be put into effect at this time; nor should such increases be considered until the Public Land Law Review Commission has completed its studies and submitted its findings and recommendations; and

Be it further

Resolved, That copies of this resolution be forwarded to each member of the Idaho Congressional delegation and to the appropriate Committees in the Congress.

Approved February 19, 1969

ROBERT T. PAINE,
President.

HUGH A. WILSON,
Executive Vice President.

STATEMENT OF NOY BRACKETT, CHAIRMAN, SUBCOMMITTEE ON PUBLIC LANDS, IDAHO STATE FARM BUREAU, NATURAL RESOURCES COMMITTEE

The authority for the following constructive testimony is our policy:

We believe Congress and all federal agencies administering public lands should withhold any changes in basic policy fees and regulations, for use until the Commission (Public Land Law Review) has completed its report. To say the lest, this has not been done. This policy alone would be sufficient to oppose the grazing fee increase "order." The majority delegates representing nearly 1 million 800 thousand family memberships adopted the above policy at the Farm Bureau Federation convention in Kansas City, Missouri, December 8-12,

1968. The Idaho Farm Bureau Federation with nearly 12,000 family memberships, is in complete agreement with this policy.

In reference to the November 15, 1968 quote from the Department of Interior, which said, "We want full industry and Public review prior to putting these regulations in effect." We submit this was not done. We are most grateful to the Congress for permitting the grazing fee issue to be discussed in public hearings. We appreciate the opportunity to "tell the story" so to speak, of the Western public lands by the private sector users. This is truly a highly important issue to the economy of the public land states, and indirectly very vital to the economy of the United States.

The economic effect on Idaho communities and ranchers may very well be disastrous. During the steps to the maximum grazing fee increase, Idaho will inherit a loss in rancher income because of the increased production cost which will certainly reflect on the economy of the State. The increased grazing fee doesn't assure a corresponding "prices received" increase.

Competent studies reveal, if permit values are recognized as a cost, present grazing costs on comparable Idaho public and private ranges have little differences, if any. Federal agencies and lending institutions through the years have recognized the value of permits when ranches were bought and sold. The schedule of repayment of loans by cooperative grazing associations to the Farm Home Administration will be jeopardized because the loans were calculated on present grazing fee structure.

Capitalized permit value losses for the ranching industry in Idaho and its direct effect on the economy would be in the millions of dollars. Using average public land permit value figures, Idaho has a conservative figure of \$30 million capitalization in permit values of sheep and cattle on BLM and Forest Service ranges. (AUM information supplied by BLM and Forest Service.)

Permits used as collateral for loans by lending institutions, government or private, may well be eliminated and of course the borrower will be in a weaker "pay-off" position. Future mortgages for ranchers—doubtful. An administrative ruling such as a grazing fee increase, with its magnitude of results should receive detailed study and research to weigh the benefits and disadvantages before enforcement.

Taxpayers will contribute more to maintaining federal lands as permittee fee revenue intake will decrease.

Increased fee costs to some Idaho ranchers, where the return on invested capital is shown to be negative, will force these ranches out of business. We trust the poverty woes should not be intentionally multiplied. Millions of dollars are being funded to rural areas as a poverty eliminator.

The "multiplier" effect in loss to the economy of Idaho because of less spending from the ranching industry would be tremendous.

Consider the ranch real estate market value and its relationship to the county tax base. A decrease in ranch prices would result in a decreased local tax base. Idaho already has a real property tax struggle with two-thirds of the land area belonging to the Federal Government; we can afford nothing that would jeopardize the remaining one-third area used for local tax base.

Farm Bureau Policy is definite that the total study of the Public Land Law Review Commission be completed before any proposed grazing fee changes are adopted. What valid reason can be given for the Commission's study on the public lands phase if the Executive branch initiates changes relating to public lands before the Commission has made recommendations to the Congress from their exhaustive study?

The ranching industry and the government agreed on a study to determine if a fee increase was justified. In our opinion the study did not confirm the full increase as concluded by the agencies. Our studies would acknowledge a 11¢ increase on BLM land, but no increase on Forest land. It would only seem logical to wait and compare the Public Land Law Review Commission's grazing fee recommendation with that of the Agency grazing fee study to determine the final approach.

The Idaho Farm Bureau Federation endorses the testimony being presented by the Idaho Cattleman's Association.

Again, we appreciate the opportunity to express our views on this important and vital issue.

Thank you.

IDAHO CITIZENS GRAZING ASSOCIATION,
Soda Springs, Idaho, February 21, 1969.

PUBLIC LAND SUBCOMMITTEE,
House Interior Committee,
Washington, D.C.

The Idaho Citizens Grazing Association, composed of ninety members engaged in the livestock business in Southeastern Idaho, wish to enter a formal protest against the proposed increase in fees for grazing livestock upon Public lands in the Western United States.

These ninety members represent both the cattle and sheep industry and at the present time are running approximately 7000 cattle and 55000 head of sheep upon Public and private lands in Southeastern Idaho.

The members of this Association are all well established, long time operators who own and operate their own ranches and farms in the area, and have, over the past years, made a tremendous contribution to the overall economy of the State of Idaho.

Their contributions to the local government in the form of property taxes is a major portion of the tax base in this area.

The proposed increase in grazing fees would have the effect of a serious devaluation of the present property owned by these livestock operators due to the increased operational costs which would tend to decrease the small margin of profit these operators may expect if all other conditions are favorable, and could possibly mean the elimination of some operators due to the inability to realize a fair margin of profit.

It is hoped the Committee will give the following factors their most serious consideration during their studies and deliberations of the proposed increase in grazing fees:

The overall effect upon the livestock industry thruout the entire West.

The loss of value to long established ranches and farms which has served as commensurate property in the procurement of grazing permits upon Public Lands.

The possible economical effect upon the local areas due to the loss of revenue derived from the livestock industry thru their contributions to local government thru property taxes; their contributions to the local business structure thru their purchase of supplies and items of equipment necessary in the operation of the livestock industry.

The effect upon the farm laborers who are employed within the livestock industry and who constitute a major portion of the labor payroll thruout Idaho and the other Western States. Reduced profits to the livestock operator could only lead to the reduction in the number of persons employed within the industry.

Last, but not least; increased cost to the livestock operator can have a tremendous economic effect upon the whole Western United States and subsequently upon the rest of the Nation. History will prove that back thru the years, the livestock industry has been a MAJOR industry thruout the West.

This Association requests your consideration of the foregoing factors and will be very appreciative of any effort to forestall an increase in grazing fees applicable to the use of Public Lands by the livestock industry.

Very truly yours,

ROScoe J. RICH,
Vice President.
J. F. WOODALL,
Secretary.

CARIBOU WOOLGROWERS ASSOCIATION,
Soda Springs, Idaho, February 21, 1969.

PUBLIC LAND SUBCOMMITTEE,
House Interior Committee, Washington, D.C.

DEAR COMMITTEE MEMBERS: The Caribou Woolgrowers Association consists of sixty four individuals and livestock Companies who presently hold sheep grazing permits upon lands within the Caribou National Forest and represents woolgrowers from Idaho, Utah and Wyoming.

This group of woolgrowers in 1968 held grazing permits for 121,649 head of sheep on the Caribou National Forest in Southeastern Idaho.

The proposed increase in grazing fees as applies to the areas such as the Caribou National Forest is of great concern to the membership of the Caribou Woolgrowers Association.

This membership wishes to make this an appeal to the Public Land Sub Committees for effective action to forestall any increase in the fees that are charged for grazing livestock upon Public Lands.

The economic outlook for woolgrowers in Idaho and other Western States has been clouded with increased operational costs over a period of the last several years.

Labor costs, the costs of supplies and equipment along with land use costs has risen sharply over these years to the point where any further increase in operational expenses could be devastating to many operators within the sheep industry as well as other livestock operations.

An increase in the amount charged for grazing upon Public Lands could have the effect of a lesser value on private lands owned by these sheep raisers, much of which land is used as commensurate property in securing grazing permits upon lands within the Caribou National Forest. Increased costs could possibly means the difference between staying in the business or going bankrupt for many of the small flock operators whose livelihood depends wholly upon operational costs and would also have an adverse economical effect upon the larger flock operators.

These operators, along with other woolgrowers throughout the Western States, make a substantial contribution to the local and National economy through their expenditures related to the industry.

Vast sums of money are expended annually for labor, supplies and equipment, local and National taxes all of which lends strength to the local and National economy.

Your earnest consideration of the above will be appreciated.

Very truly yours,

ROSCOE J. RICH, *President.*

FEBRUARY 20, 1969.

HON. JAMES A. MCCLURE,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN: As cattle producers we are organized as the Macon Flat Cattle Association and have permits for 5014 animal unit months on the Macon Flat Allotment, Idaho District 5, of the Bureau of Land Management. As an association, recognized by the BLM, we vigorously protest the announced increase in grazing fees on the public lands.

While we expect to pay a reasonable fee for the grazing privilege, we believe we are entitled to a fair return on our investment in grazing permits as well as our investment in such permanent range improvements as water development, sagebrush spraying, fencing and corrals. While our operation cost has risen, the return on our product has decreased or at best remained statis. The increase in grazing fees would add materially to this cost-price squeeze, will decrease the value of our permits and commensurate lands, and forcé some of us out of business.

In comparing public grazing with renting of private pastures, there are many costs born by the user of public lands which ordinarily do not apply to the renter of private pastures. We have no vested right in the permanent improvements we make. We hire herders to keep cattle distributed properly. We maintain our own fences and watering places. We do not get comparable gains. We must include an annual loss in excess of private pasture users due to the usual inaccessability of public lands.

We believe that grazing of livestock is beneficial to the management of big game on public lands and inhibits costly, wasteful range fires. We also believe that we are steadily improving the public range by our own labor and investment in improvements.

We urge you to postpone putting into effect the proposed fee increase without making further studies.

Yours very truly,

MACON FLAT CATTLE ASSOCIATION,
By ERMA LEWIS CUEVA, *Secretary.*

HOMEDALE CHAMBER OF COMMERCE,
Homedale, Idaho, February 24, 1969.

Congressman JAMES MCCLURE,
Longworth Building,
Washington, D.C.

DEAR JIM: The Homedale Chamber of Commerce is deeply concerned over the increased grazing fees our cattlemen will have to pay as a result of the recent Bureau of Land Management ruling. Cattlemen in Owyhee County are extremely hard pressed to make a living now and additional cost in their operations would cause many small ranches to sell out.

As it stands now, the increase would cost the cattlemen of Owyhee County \$331,652 more to graze their cattle than present costs. The effect on the business economy of Homedale would be depressing and not make the outlook very bright for many of our small businesses.

The cost to the State of Idaho would be \$1,725,572 of net spendable income and this would say nothing of the loss in capital investment caused by the decrease in permit value.

The Homedale Chamber views the grazing fee increase in direct conflict with programs designed to maintain the small family farm, and since most of our farms and ranches in the county are small, the result would cause more of our rural people to migrate to the urban areas.

Cattlemen throughout the nation only return two percent in their investment with present fees what will an increase do to an already overburdened industry.

Thanking you for your interest, I remain,

Very truly yours,

ANDREW WARFIELD, *President.*

 SNAKE RIVER CATTLEMEN'S ASSOCIATION,
Rigby, Idaho., February 22, 1969.

HON. JAMES MCCLURE,
House of Representatives,
Longworth Building,
Washington, D.C.

DEAR SIR: Since we will be unable to attend the hearing in Washington, I am sending you this statement.

A slight increase in grazing fees would not be considered too great a burden on the cattlemen of Idaho, providing that some of the fees that are assessed would be used for maintenance and up-keep.

During the year of 1968, 458 man-hours of labor and 1800 miles of travel were necessary to maintain the range. An additional \$60 was spend on other supplies for maintenance expenses. During 1969, the Association will have additional expense in the building of about 3 miles of water line and about 2 miles of drift fence. It will be necessary that the Association pay the entire expense on the water lines and the time and labor on the fence. This is the expenses for grazing 558 head.

The cattle and sheep industry provides more money for public land use and up-keep than any other group. The sportsmen enjoy the use of the lands without any additional expenses, other than licenses, being placed upon them. We feel that since many other people enjoy the rights of the forest that they should aid in the up-keep and development of the public forest lands.

Sincerely yours,

 R. DUWAYNE SCOTT, *President.*

STATEMENT OF CUSTER COUNTY LIVESTOCK MARKETING ASSOCIATION

We are going to write about an area of Idaho known as Custer County. Located in the central part of Idaho it is the third largest county in the State of Idaho; bigger than many states in the east. It is also one of the poorest counties in the state of Idaho. Why? The U.S. government owns 93% of all land in Custer County. There are some 295 farms or ranches in Custer County, nearly all of which are dependent upon livestock as a part or all of their livelihood; and as a result of the government owning 93% of all the land, most all of these ranches are dependent upon public grazing lands to make their living.

In the years of 1960-63, a Phd. Roland Bevan of the University of Idaho Agricultural Economics College did a detailed study of cost and returns to Mountain type cattle ranches in Custer and Lemhi (an adjoining county). According to Dr. Bevan's research; after charging \$4,000 per year for operators management and labor, the returns to capital investment for 1963 were 4%; 1962, 4%; 1961, 3%; 1960, 6%; average for 4 years being 2.9%.

Some pertinent facts you should be aware of are: these figures are averages for 24 ranches of bigger than average size. \$4,000 is not a fair wage to deduct from net income in order to calculate return on investment. A figure of \$6,000 is more realistic and would further reduce the return on investment. These ranches were capitalized at \$250 per cow unit. Current selling prices would command \$600 per cow unit. This would further reduce return on investment. In fact it can be shown that these ranchers are foregoing any sort of return on investment in exchange for a decent wage. In short, a wage is all they are earning even though they have an actual investment of \$154,250 when capitalized at \$250 per AUM realistically speaking at (\$500-\$600 per unit). They have a \$300,000+ investment and are making no return. Now the USDA and Department of Interior are trying to force them to operate at something less than even desirable wage levels by increasing grazing fees.

There is no place else to run these cattle. Remember the government owns 93% of the land.

Idaho is a rural state, agriculturally oriented and livestock dependent for close to $\frac{2}{3}$ of her generated wealth. There are other states of the 11 western with a similar story.

Recently an article was brought to our attention in which the very foolish editor proclaimed that this grazing fee business would effect some 590 of the people in the west. Well, here in Idaho if the rancher doesn't make money neither does anyone else. The storekeeper and the businessman are affected by this too in the rural argicultural oriented states.

Any person with a basic working knowledge of economics and agriculture can prove that the profit margin is greater on private pasture than on public grazing lands. But this is of no benefit when 93% of the land is publicly owned. There is no more pastureland in Custer County.

One of our members who is incidentally one of the more progressive ranchers in 1969 had a taxable income of \$1,900 which he cleared in 1968. He runs 225 cows on Forest Land.

Another member used to run 360 cows on the forest grazing lands. Today he runs 170 cows right at home. His income is for all practical purposes the same. He would like to sell out so he can use the money to send his children to college.

All of our members feel that this increase proposal is simply another move to "crowd them out." Yet it can be shown, beyond any doubt, that properly grazed land will produce more forage for livestock and wildlife and at the same time do a much better job of erosion control and protection of natural resources.

What do the people of the United States want for free? We are doing this conservation job according to government rules and paying for the privilege.

In short if we are removed from the area, as we may well be, if this 400% increase is allowed, where do we go? What do we do after we get there?

Statement prepared by Custer County Livestock Marketing Association, Secretary for Board of Directors and Members.

CCLMA is a livestock marketing cooperative consisting of some 600 members of Custer, Lemhi, and Butte Counties.

FRED L. EMISTON, *Secretary.*

MARSING CHAMBER OF COMMERCE,
Marsing, Idaho, February 24, 1969.

Congressman JAMES McCLURE,
Longworth Building,
Washington, D.C.

DEAR JIM: The Marsing Chamber of Commerce is extremely concerned over the grazing fee increase proposed by the Bureau of Land Management for cattle and sheep utilizing our Public lands. In Owyhee County alone the additional cost to cattlemen would be \$331,652 which of course is net spendable income. This amount of income taken out of the pockets of our cattlemen in our county would have serious consequences on the business economy of our county. As you

know Owyhee County is lacking in business and industry anyway and if the cattlemen were subject to the fee increase the results would be drastic.

The Chamber feels that livestock are an absolute necessity to the economy of the County and continued increase in the cost of raising livestock as compared to the price received for the live animal could very well jeopardize the industry. Current prices received for livestock are the same as received 15 years ago while the cost of machinery, clothing, and foods and everything that the rancher buys and uses has gone up nearly double.

Therefore, it would seem very necessary for the Bureau to rescind its proclamation to increase grazing fees and that fees for livestock running on Public lands be regulated by the Statistical Reporting Service survey.

Thanking you for your consideration of this very important matter, I remain,

Sincerely,

ROY E. HERMAN, *President.*

Grazing fee resolution adopted by the Raft River Cattlemen's Association at their Annual Meeting held 19th day of December, 1968 at Malta, Idaho.

The Raft River Cattlemen's Association, duly assembled at their Annual Meeting of the members at Malta, Idaho on December 19, 1968 does hereby adopt the following resolution:

We request that there be no change at this time in either the grazing fee or the formula that has been used to arrive at such fee.

This request was made after due consideration and recognition of the following factors:

1. The Secretary of Interior in arriving at the proposed grazing fee did not consider all the costs of running livestock on Federal land that were pointed out in the study by the Statistical Reporting Service—namely, the capitalization of the cost of the permit. The permit value is recognized by other Government agencies, particularly the Internal Revenue Service, on appraising ranch estates for tax purposes and is also recognized by Government lending agencies.

2. Any change in the regulations of such magnitude as the proposed raise in grazing fee should await the recommendation of the Land Law Review Commission and/or Congressional Hearings due to the economic impact upon the local economy of the Western States.

3. We contend that such a proposal is actually contrary to the intent of the Taylor Grazing Act which says, in effect, fees shall be fair and equitable and the intent of the Act was to stabilize the livestock industry.

4. Any increased cost of operating on Public land will result in a corresponding increase in costs on private land and, according to the proposed formula, will automatically increase Federal fees.

IDAHO LIVESTOCK PRODUCTION CREDIT ASSOCIATION,
Boise, Idaho, February 26, 1969.

HON. JAMES A. MCCLURE,
Member of Congress,
Longworth Building,
Washington, D.C.

DEAR REPRESENTATIVE MCCLURE: I am president of the Idaho Livestock Production Credit Association, Boise, Idaho. This institution was organized in 1934 for the specific purpose of providing short term credit for the sheep and cattle industry. Since organization thru 1968 our association has loaned \$221,165,789 to ranchers throughout the State of Idaho. During the past year our loan volume was nearly \$24,000,000. At our annual stockholders meeting held January 31, 1969, the members present unanimously adopted a resolution directing the proper officers of the association to direct letters to the Secretary of Agriculture, Secretary of Interior, the Idaho Congressional Delegation and the Chairmen of the various committees conducting hearings on grazing fees, protesting the proposed increase in grazing fees on public lands under the direction of the United States Forest Service and the Bureau of Land Management.

For many years the profit margin in the livestock industry has been narrowing. The cost of operating the ranching enterprise has increased many times over the price received for the products they have for sale. Any increase in grazing

fees will add substantially to the annual operating costs of these ranchers, resulting in even narrower margins of operating income for all, and increasing operating losses now being suffered by many. According to the United States Department of Agriculture Statistical Reporting Service, in January 1969, beef cattle are reported at 78% of parity, sheep at 79% of parity and wool at 44% of parity. This in itself is evidence that the livestock industry is not in a position to support the additional burden of increased grazing fees. If this disparity continues in the future, at the rate it has in the past, we are concerned about the problems of providing adequate funds for the continuation of any but the most financially solvent ranching operations. We believe this would not be in the best interest of the livestock industry or the national economy. At the present time we are financing some marginal loans that cannot withstand any increase in operating costs without a commensurate increase in income, and still remain in the ranching business.

In view of the extremely difficult position we find ourselves in attempting to continue financing the livestock industry, and the added financial burden it will put on the ranchers, we respectfully urge that you use the influence of your office to prevent the proposed grazing fee increase from being put into effect.

With best regards, I am,

Sincerely yours,

WILBUR F. WILSON, *President.*

Mr. BARING. Is Senator Clifford Hansen in the audience?

Mr. ASPINALL. Mr. Chairman, inasmuch as Senator Hansen of Wyoming has asked for an appearance before this committee, I would ask unanimous consent that when he does appear, that he be permitted to appear and let his statement be made a part of the record at that place.¹

Mr. BARING. Without objection, so ordered.

We make the same motion for Congressman John Dingell.²

Without objection, so ordered.

Our next witness is the first of the departmental witnesses, Phillip S. Hughes, Deputy Director, Bureau of the Budget.

Mr. ASPINALL. Mr. Chairman, I am sure that all members of the committee are glad to have Mr. Hughes once again before the committee. I think you are the third official executive or member of the executive department that's been before the committee during the 91st Congress.

STATEMENT OF HON. PHILLIP S. HUGHES, DEPUTY DIRECTOR, BUREAU OF THE BUDGET

Mr. HUGHES. Thank you.

Mr. Chairman, I appreciate the opportunity to be here and to express the views of the Bureau of the Budget on the subject of grazing fees on public lands administered by the Departments of the Interior and Agriculture. The recent adjustments in these fees are of great significance, both to the affected permittees and to the owners of the public lands—the citizens of the United States.

I understand the representatives of the Bureau of Land Management of the Department of the Interior and the Forest Service of the Department of Agriculture are also appearing before the committee. The witnesses from these agencies are well qualified to review this complex subject in detail, and their statements competently summarize

¹ Senator Hansen's statement appears on p. 221.

² Congressman Dingell's statement appears on p. 219.

the events which led to the recent adjustment. These agencies are living daily with problems associated with management of the public lands, and are better qualified than I to deal with the specifics.

In the circumstances, I believe that my testimony will be most useful to the committee if I review very briefly the Bureau of the Budget's involvement in grazing fee activities, and then briefly discuss what seem to me to be the three major questions before the committee.

With respect to the Bureau of the Budget's role and responsibility: Fees have been charged for grazing on the Bureau of Land Management lands for over three decades and on Forest Service lands for over six decades. These fees have been gradually increased over the years, but do not represent anything comparable to those charged for private lands. In 1968; for example, the BLM fee was only 3—3 cents per animal unit month, about one-fifth of comparable private fees. Forest Service fees are somewhat higher.

Title V of the act of August 31, 1951 states * * * "the head of each agency is authorized by regulation to prescribe * * * such fees, charge, or price * * * to be fair and equitable * * *"

That is an excerpt from the statute but I think it reflects the sense of it.

Bureau Circular A-25 issued pursuant to that act, establishes Government-wide principles for the application of user charges and, together with statute, provides a general foundation on which the recent actions on grazing fees were based. Briefly, the circular provides that where federally owned resources are leased or sold, a fair market value return should be obtained.

Varying legal authorities, administrative objectives and policies and historical conditions have resulted in the use by the Federal agencies of different methods to determine grazing fees. Widely varying fee levels have resulted on lands which otherwise have comparable grazing values. In most cases, the fees charged do not reflect the fair market value of the grazing use privilege. Audit reports of the General Accounting Office have noted these inconsistencies and have been critical of fee levels.

In mid-1960, the Bureau of the Budget, with the participation of the Departments of Interior and Agriculture, undertook a broad study covering the entire area of user charges as they related to natural resources, including the grazing fees. Since that date the subject of grazing fees has been under almost continuous study and review, with active Bureau of the Budget participation.

In summary, with respect to grazing fees, as in other areas of management of Federal property and resources, the Bureau of the Budget has attempted to deal rationally with this issue by supporting a fair market value return from private use of these resources. This objective has wide general support, but we encounter strong differences of view in trying to apply the general principle to specific areas. Grazing fees obviously have not been an exception.

In addition to pressing for uniformity and equity in grazing fees, the Bureau of the Budget's Office of Statistical Standards has given technical advice in the conduct of various studies and surveys made and in the analysis of results. We believe that this participation has helped to assure the validity of results and has provided thereby a sounder base for the course of action now underway.

Now, with respect to questions confronting the committee. We believe the three major questions are: (1) The validity of the data upon which were based the administrative actions increasing grazing fees and making them more uniform; (2) the question of whether the "permit value" should be considered in determining the grazing fee; and (3) the impact of the grazing fee adjustments on the users.

Taking these questions in order, we believe that the history of this matter makes it clear that the action taken was based on sound information and was neither hasty nor uninformed. Studies of the subject go back almost a decade. The record clearly shows that the combined expertise of the Departments of Agriculture and Interior, the Bureau of the Budget, the western universities and private management firms has been applied conscientiously and repeatedly. Information from competitive bid transactions and from negotiations between private parties supports the reasonableness of the fees being established. Whatever the policy issues, we believe that the validity of basic data should not be an issue at this point in time.

"Permit value" has been a troublesome question constantly in the minds of those working on the grazing fee problem. This is the second major question as we see it that confronts the committee. Public land grazing permits have, through private land stock transactions, acquired a "permit value." However, these are private transactions, which do not involve or benefit the public at large. Further, it seems clear that allowing the permittees a grazing fee credit on the "permit value" transfers the return on the property to the permittee from the public owners. Thus, if credit were given for all or some portion of the "permit value" in establishing grazing fees, the permittee in effect would be given a proprietary interest in the public lands. However, the Taylor Grazing Act says that "issuance of permit—shall not create any right, title, interest, or estate in or to the lands." And court decisions have been consistent on this point. We understand that new court cases are testing this viewpoint and legal interpretation again.

With respect to impact on users: The Bureau of Land Management has over 14,000 grazing permittees and the Forest Service has about 15,000 in the areas affected. However, 52 percent of all Bureau of Land Management forage is allotted to 5 percent of the permittees. Thirty percent of all Forest Service forage is allotted to 8 percent of the permittees. Thus, the impact of the fee increase will be borne primarily by the larger operators.

Overall, according to the U.S. Department of Agriculture study, the increase in grazing fees over the 10-year period approximates the impact of a 1 cent per pound drop in livestock prices. We have not been unmindful of the impact of the fee increase in individual cases and recognize that increases affect the cost of doing business. However, we believe that the 10-year phasing of the increase greatly facilitates adjustment to it, and that considerations of equity, uniformity, law, and sound management of public property all required that the fee structure be changed.

In summary and conclusion, Mr. Chairman, we believe that the fee adjustment has been thoroughly considered and is soundly based. Litigation now underway will further test its legal aspects. The opportunity for public review has been substantial and the agencies con-

cerned have made a sustained attempt to inform the affected graziers and the public at large. Increases in grazing fees by definition are increases in the cost of raising cattle. However, the cost increases are necessary to bring about equity and uniformity and, in our view, represent a reasonable and fair return to the public on the use of its property. We supported the actions of the Secretaries concerned in proceeding with the increase and will join them in keeping the whole matter under review and taking full account of information which arises from legal proceedings, congressional hearings, including this one certainly, and recommendations of the Public Land Law Review Commission.

Thank you, Mr. Chairman.

Mr. BARING. Mr. Hughes, I should let the questioning go to my chairman of the full committee who is also chairman of the Public Land Law Review Commission. Being a member of that Commission, too, I cannot see through your last statement there where you are going to take into review what comes up. Why is it that you couldn't wait for the recommendations of the Public Land Law Review Commission?

It seems like we are coming down the homestretch now to 1970 and everybody in Government knows that this has been quite a study. I just cannot understand the position of the Bureau or the Departments, why you didn't wait until this Public Land Law Review Commission made its report?

Mr. HUGHES. I will try and explain as best I can the reasons for proceeding now as we see them, Mr. Chairman.

First of all we do recognize the comprehensiveness and the importance of the work of the Public Land Law Review Commission. And we would expect that if that Commission in its findings suggests a different course of action than that now underway, modifications could be made in the course of action that has been announced by the Secretaries. However, the grazing fee matter has been, as I tried to indicate under continuous study for a long period of time within the executive branch and to an extent in the Congress. It seemed to us quite clear that the public was not receiving an equitable return on its resources. It seemed to us that the case was clear, therefore, for an adjustment and more uniformity in grazing fees and that it was appropriate to proceed with the action that has been announced.

Beyond that, I think the nature of that action is adapted to continuing review by the Congress and by the executive, because it does contemplate a very gradual increase in fees over a long period of time, and that process in itself will facilitate review and revision if that is indicated.

Mr. BARING. I assure you from my knowledge of cattlemen in my own State that a 400-percent increase in the next 10 years is going to wipe out all the small ranches.

Mr. Chairman, I apologize, but I had that one question in mind.

Mr. ASPINALL. I think, Mr. Chairman, that you made a beginning here as far as what we are going to try to find out in these hearings. And it is very worthwhile to have as a leadoff question. Of course, you know, Mr. Director, the public's got the idea that there has been no increase, there has been no change in grazing fees throughout the years,

and that just recently we have come to the aid of the other users of the public lands in order to see to it that they are equitable. I'd like to have the record show that in 1946, 1950, 1954, 1957, 1960, 1962, 1965, and 1968 there were changes in the grazing fee schedule by the Bureau of Land Management and that they were in accordance with accepted formulas that everybody was working with, including the Bureau and the users. In some instances, the fees were raised. In one or two instances, the fees were lowered as far as that is concerned. In the Forest Service, the fees vary from forest to forest and change almost yearly. They were changed in 1933, 1934, 1938, 1943, 1948, 1952, 1953, 1958, 1963, and 1968. I have had these changes placed in the record to show the range of fees changed. These are average fees.

Now, the public's been misinformed as to what the action was taken just recently. These fees have been raised or lowered almost yearly for the last almost 40 years in both Departments of Government. I made a request in 1959 to have a study made to see whether or not these changes were being done in some constructive way or whether or not there was some change needed. There was no real activity on the part of the bureaus to come up with the study that I requested so we authorized the Public Land Law Review Commission. This was one of the real reasons for the Commission operation. The Commission has studies going on at the present time for forage, for future demands for commodities of the public lands, for water, for use of occupancy on the public lands, for economic impacts, noneconomic impacts, user fees and charges, multiple use, trespass, and about 26 other studies that are all interwoven. We want to try to get a fix on what really is involved.

Then apparently because of the fact that we were getting pretty close to some kind of an answer, the Departments come up and they spend approximately \$900,000 for their own study. They put it out before the end of the last administration and it is a 10-year fee increase program. This is what bothers us. When you make your statement in the first paragraph that the recent adjustments of these fees are of great significance, you made the minor statement of the year as far as this committee is concerned, because that certainly is a true statement. Now, you make this statement: These fees have been gradually increased over the years but do not represent anything comparable to those charged for private lands.

Now, you got your information, as I understand it, from the study made by the Bureau of Land Management in the Department of Interior and the Forest Service in the Department of Agriculture, is that correct?

Mr. HUGHES. Yes, sir; that is part of the information.

Mr. ASPINALL. You relied solely upon their findings for the Bureau of the Budget's position, is that correct?

Mr. HUGHES. No, sir; we've tried also to supplement that information by information on private biddings and by competitive bids for public lands where that was available. There are—

Mr. ASPINALL. Now, Mr. Hughes, do you have your study material so that you can give it to the committee at this time?

Mr. HUGHES. The basic data for the study, Mr. Chairman, was the

data that you referred to, the combined Bureau of Land Management and Forest Service Study.

Mr. ASPINALL. That is what I thought. But I understand you to say you went out on your own, even though I have a hard time finding where the Bureau of the Budget has any authority to do this kind of work, you went out on your own in order to make a comparable study as between private lands and public lands in this respect, is that correct?

Mr. HUGHES. No, sir; our study, Mr. Chairman, was that cooperative study you have referred to involving those departments.

Mr. ASPINALL. All right. Then your statement was made entirely upon the information that was brought out by the Bureau of Land Management and the Forest Service?

Mr. HUGHES. The basic data was all collected through them, and they are the experts in this business; that is correct.

Mr. ASPINALL. And who in your Bureau has been the analyzer of this study?

Mr. HUGHES. Well, I have tried to do some analysis of it, Mr. Chairman, there has been work done by a number of people, some in our Natural Resources Division, some by policy level appointees.

Mr. ASPINALL. Now, Mr. Hughes, I have had the greatest respect for you throughout the years, and I have great respect for your Bureau. I sometimes think that your Bureau tries to run the legislative department as well as the executive department. But when I asked for the names, will you give me the names and the positions of those people whom you have assigned to this particular responsibility so that we have their names and their job descriptions in our record?

Mr. HUGHES. Yes, I can give you the names.

Mr. SAYLOR. Reserving the right to object, Mr. Chairman, I will not object if the gentleman will make his request to include the names of the members of the Bureau of the Budget who on page 3 are supposed to have had active participation.

Mr. ASPINALL. I will include that also. Mr. Chairman, I would ask unanimous consent that this information be made a part of the record at this point when received.

Mr. BARING. Without objection, so ordered.

Mr. HUGHES. I will be glad to do that, Mr. Chairman. I think it should be borne in mind that the responsibility for the action here vested in the policy officials in the Bureau and in the administration.

Mr. ASPINALL. Oh, yes.

Mr. HUGHES. And that the staff employees who worked on the study should in no sense be held responsible for those actions.

Mr. ASPINALL. We are not holding the staff responsible. We just want to find out their training, their qualifications to make these analyses, because if I know anything at all about the publicity that's been put out on this program, it is that it came out of the Bureau of the Budget, and that it was a part of the President's program. If that is right, I want to tie it right to the mast. That is what I want to do.

(Information submitted for the record follows:)

PERSONNEL IN THE BUREAU OF THE BUDGET INVOLVED IN THE STUDY AND ADJUSTMENT OF GRAZING FEES

Policy officials

Robert Mayo, Director ¹

Phillip Hughes, Deputy Director ¹

Charles Zwick, previously Director and Assistant Director ^{2 3}

Charles Schultze, previously Director and Assistant Director ^{2 3}

Kermit Gordon, previously Director ^{2 3}

Elmer Staats, previously Deputy Director ^{2 3}

Career staff

Samuel Cohn, Assistant Director for Budget Review ¹

Raymond Bowman, Assistant Director for Statistical Standards ¹

Harold Lingaid, Office of Statistical Standards staff ¹

Paul Kruger, Office of Statistical Standards staff ¹

Ole Negaard, previously Office of Statistical Standards staff ^{2 3}

Carl Schwartz, Jr., Director, Natural Resources Programs Division ¹

Harry McKittrick, Asst. Director, Natural Resources Programs Division ¹

Charles Kraus, Asst. Director, Natural Resources Programs Division ¹

Monte Canfield, Jr., Natural Resources Programs Division staff ¹

Fitzhugh Thomas, Natural Resources Programs Division staff ¹

Norman Hartness, Natural Resources Programs Division staff ¹

Ronald Landis, Natural Resources Programs Division staff ²

Dennis Rapp, previously Natural Resources Programs Division staff ^{2 3}

COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,

Washington, D.C., March 13, 1969.

Mr. PHILLIP S. HUGHES,

Deputy Director,

Bureau of the Budget,

Washington, D.C.

DEAR MR. HUGHES: By your letter of March 8th, the Committee was furnished a listing of Bureau of Budget personnel who either were, or are, working on the grazing fee user charge issue.

This list furnishes only part of the information regarding personnel that the Committee requested. If you will refer to the request for information as it appears on pages 34 and 35 of the transcript, you will find that the request was for the name, position, training and general qualifications of personnel who actively participated in the preparation, review or analysis of the study.

The additional information will be appreciated.

Sincerely yours,

WAYNE N. ASPINALL, *Chairman.*

NOTE.—The enclosures mentioned are in the record of the hearings.

EXECUTIVE OFFICE OF THE PRESIDENT,

BUREAU OF THE BUDGET,

Washington, D.C., April 2, 1969.

Hon. WAYNE N. ASPINALL,

Chairman, Committee on Interior and Insular Affairs, House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your letter of March 13, 1969, regarding a listing of personnel, positions, training (education), and general qualifications of Bureau of the Budget personnel who worked on the grazing fees issue. The listing is enclosed.

Sincerely,

(S) SAM HUGHES,

PHILLIP S. HUGHES,

Deputy Director.

¹ Currently active on the issue.

² Active on the issue in the past.

³ No longer employed by the Bureau of the Budget.

PERSONNEL INFORMATION ON BUREAU OF THE BUDGET STAFF INVOLVED IN THE
STUDY AND ADJUSTMENT OF GRAZING FEES

POLICY OFFICIALS

*Robert Mayo, Budget Director*¹

B.A. from Univ. of Washington, 1937; M.B.A. in 1938 from same school; 1938-41, Director of Research and tax auditor, Washington State Tax Commission; Staff employee in Office of the Secretary of the Treasury from 1941-60; in 1960, appointed Vice President, Continental Illinois National Bank and Trust Company, Chicago, until 1969; 1969, Budget Director.

*Phillip S. Hughes, Deputy Budget Director*²

B.A. from Univ. of Washington in Sociology, 1938; Chief, Research and Statistics, Washington State Department of Social Security, 1941-43; Senior Labor Market Analyst, War Manpower Commission, Seattle, 1943-44; U.S. Navy, 1944-46; Statistician and Chief, Research Division, Seattle Veterans Administration branch office, 1946-49; to Estimates Division, Bureau of the Budget in 1949 working on VA insurance, vocational rehabilitation and education programs; 1951, was assigned non-medical activities of Veterans Administration; 1953, became Assistant Division Chief, Labor and Welfare Division, working on Social Security and Veterans (non-medical) programs; 1955, Deputy Chief of Office of Legislative Reference; 1958, Assistant Budget Director for Legislative Reference; since 1966, Deputy Budget Director; received National Civil Service League Career Service Award in 1962 and Budget Bureau Director's Exceptional Service Award in 1965.

Charles Zwick, previously Director and Assistant Budget Director^{2 3}

B.S. in Agricultural Economics in 1950 from Univ. of Connecticut; M.S. in 1951 from same school, same field; Ph.D. from Harvard Univ. in Economics in 1954; U.S. Army, 1946-47; Instructor at Univ. of Connecticut in 1951 and Instructor at Harvard Univ., 1954-56; Head of Logistics Department and later a Member of the Research Council, Rand Corporation, 1956-65; Assistant Budget Director in 1965; and Director, 1968-69.

Charles Schultze, previously Director and Assistant Budget Director^{2 3}

B.A. in Economics from Georgetown Univ. in 1948; M.A. in Economics from Maryland Univ. in 1950 and a Ph. D. same school, same field, in 1960; U.S. Army, 1943-46; administrative assistant to Democratic National Committee, 1948; Research Specialist with Army Security Agency, 1948-49; instructor at College of St. Thomas, 1949-51; Economist with the Office of Price Stabilization, 1951-52; Economist with Council of Economic Advisers, 1952-53; Economist, Machine and Allied Products Institute, 1953-54; Economist, Council of Economic Advisers, 1954-59; Associate Professor of Economics, Indiana Univ., 1959-61; Professor of Economics, Maryland Univ., 1961-62 and 65; Senior Staff Member, Brookings Institution, 1965; Assistant Budget Director, 1965; Budget Director, 1965-68.

Kermit Gordon, previously Director, Bureau of the Budget^{2 3}

B.A. in Economics from Swarthmore College, 1938; Rhodes Scholar, University College, Oxford, 1938-39; Swarthmore College (honorary) L.L.D., 1963; Office of Price Administration, 1941-43; U.S. Army, Office of Strategic Services, 1943-45; Special Assistant, Office of the Assistant Secretary for Economic Affairs, Department of State, 1945-46; Department of Economics, Williams College, 1946-63; Consultant, Department of State, 1946-53; Associate to Administrator, Merrill Foundation for Advancement of Financial Knowledge, 1947-56; Consultant, White House Office, 1950; Economic Consultant, Office of Price Stabilization, 1951; Professor of Economics, Williams College, 1955-63; Executive Associate, Ford Foundation, 1956-57; Member, Board of Editors, *American Economic Review*, 1958-60; Director of Program in Economic Development and Administration, Ford Foundation, 1960-61; Member, Council of Economic Advisers, 1961-62; Budget Director, 1962-65.

Elmer Staats, previously Deputy Director, Bureau of the Budget^{2 3}

B.A. in History and Economics from McPherson College, 1935; M.A. in Political Science at the Univ. of Kansas, 1936; Ph. D. in Political Science, Univ. of Minnesota, 1939; Fellow, Brookings Institution, 1938-39; Research Assistant, Kansas

¹ Currently active on the issue.

² Active on the issue in the past.

³ No longer employed by the Bureau of the Budget.

Legislative Council, 1936; Teaching Assistant, Department of Political Science, Univ. of Minnesota, 1936-38; Staff Member, Public Administration Service, 1937-38; to Budget Bureau in 1939 as Acting and Assistant Personnel Officer; Administrative Management Division, 1940, working on survey of Interior Department legal services, defense and war organization; Estimates Division in 1943, working on Office of Price Administration, Office of War Mobilization and Reconversion, Office of Economic Stabilization and other war agencies; 1945, headed the war agencies group; 1947, was Assistant to the Budget Director; 1947, became Chief of Legislative Reference; 1949, Executive Assistant Budget Director; 1953, left Budget Bureau to become Assistant Director, Research, Marshall Field Co.; 1953-58, Executive Office, Operations Coordinating Board, National Security Council; Assistant Budget Director, 1959; Deputy Budget Director, 1959-65; lecturer in public administration, George Washington Univ., 1944-49; Rockefeller Public Service Award, 1961.

CAREER STAFF

*Samuel Cohn, Assistant Budget Director for Budget Review*¹

B.A. in Mathematics from Univ. of Pennsylvania, 1936; Univ. of Pennsylvania graduate school work in Economics, 1938-42; National Research Project, Philadelphia, 1936-37; Industrial Research Department, Wharton School, Univ. of Pennsylvania, 1938-39 and 1941-42; Philadelphia Housing Authority, 1939-41; Redistribution Division, War Production Board, 1942; Army Air Force, 1943-45; Office of War Mobilization and Reconversion, 1946-47; Budget Bureau, Fiscal Analysis Division, 1947; in 1952, became principal assistant to Economic Adviser, Officer of Budget Review; 1953, named Chief Economist, OBR; 1955, Chief of Fiscal Analysis; 1961, Deputy for Fiscal Analysis; 1963, Deputy for Budgetary Administration; 1966, Assistant Budget Director for Budget Review; in 1962, received Budget Director's Exceptional Service Award and in 1968 received the National Civil Service League Career Service Award.

*Raymond Bowman, Assistant Budget Director for Statistical Standards*¹

B.S. in Economics from Univ. of Pennsylvania, 1925; Ph. D. in Economics, same school, 1933; attended summer sessions at Univ. of Chicago, 1929-30; was an Economics Instructor, Washington and Jefferson College and Carnegie Institute of Technology 1927-28; Univ. of Pennsylvania faculty, 1928-57 (Chairman of Economics Department, 1949-55); Deputy Secretary, Pennsylvania Department of Public Assistance, 1939-42; temporary assignments with the Federal Government include: War Production Board, 1942-44; Director of Progress Reporting and Statistics, Office of Contract Settlement, 1944-45; Assistant Administrator for Research, Surplus Property Administration, 1945-46; joined Budget Bureau's Office of Statistical Standards in 1955 as Assistant Budget Director for that Office; is U.S. representative on the U.S. Statistical Commission, U.S. Member of U.N. Contributions Committee; received the Budget Director's Exceptional Service Award in 1962.

*Harold Lingard, analytical statistician (economist), Office of Statistical Standards*¹

Attended St. Olaf College, 1927-29; B.A. in Economics from Univ. of Wisconsin, 1932; graduate study that school in 1938 and at American Univ. in 1938-41 in Economics; Secretary to trustees liquidating bank, 1933-35; Assistant Agricultural Economist, Univ. of Wisconsin, 1935-36; Supervisor for special survey, Bureau of Agricultural Economics, 1936-37; Agricultural Economist BAE, 1938-43; U.S. Army, 1943-45; Agricultural Economist, BAE, 1945-51; in Budget Bureau's Office of Statistical Standards since 1951, specializing in agricultural production marketing statistics, chemicals and minerals.

*Paul Krueger, Assistant Office Director for Economic Statistics, Office of Statistical Standards*¹

B.A. in Economics from Univ. of Missouri in 1929, M.A. same subject and school, 1930; graduate study at Univ. of Chicago, 1933-34; instructor in Economics and Mathematics, Commerce School, Univ. of Alabama, 1930-33; Univ. of Newark, 1934-35; Coordinating Committee, Central Statistical Board and Works Progress Administration, 1935-38; housing economist with the Public Housing Administration, 1938-47; joined Budget Bureau's Office of Statistical Standards in 1947 working on housing and construction; in 1950, became Asso-

¹ Currently active on the issue.

ciate Clearance Officer; 1956, Clearance Officer; 1960, Assistant Chief of Office for Economic Statistics; 1967, Assistant Director of Office for Economic Statistics.

Ole Negaard, analytical statistician (economist), Office of Statistical Standards^{2,3}

B.S. in Economics from Univ. of Minnesota in 1926; graduate study there, 1926-28; instructor at Univ. of Wyoming, 1928-30; Social Science Research Fellow, Harvard Univ. 1930-31; Fellow, Brookings Institution, 1931-32; Harvard Univ., 1932-33; Assistant Professor of Economics, South Dakota State College, 1933-35; Staff member of Bureau of Agricultural Economics, 1935-39; joined Budget Bureau's Office of Statistical Standards in 1939 and continued until 1966 in fields of agricultural statistics, control programs, credit farm costs and income, food processing and distribution, forestry, fisheries and recreation.

*Carl H. Schwartz, Jr., Division Director, Natural Resources Programs Division*¹

B.A. in Economics, Univ. of Michigan, 1932; M.B.A. in Business Administration from that school in 1933; Ph.D. in Economics from Columbia Univ. in 1938; worked in production control and accounting part-time, 1925-34; University Fellow at Columbia Univ., 1933-34; in charge of operating analysis, Farm Credit Administration, 1934-42; joined Bureau of the Budget's Estimates Division in 1942 working on Agriculture programs; in 1943, on housing and lending agencies, in 1944, head of group "XII" (Commerce, Reconstruction Finance Corporation and various independent agencies); was Bureau Coordinator for corporation budgets, 1945-46; in 1947, named Assistant Chief, Estimates Division; in 1952, named Chief of Resources and Civil Works Division; the 1967 reorganization of the Bureau changed his title to present; in 1964, received the Budget Director's Exceptional Service Award and in 1965 received the National Civil Service League Career Service Award.

*Harry McKittrick, Assistant Division Director for Interior Department Programs, Natural Resources Programs Division*¹

B.A. in Economics and Business Administration from Park College in 1943; National Institute of Public Affairs intern, 1943; Kansas City Quartermaster Depot, 1941-42; joined Bureau of the Budget's Estimates Division in 1943, working on the War Department; in 1947, worked in National Security Branch; in 1948, on loan to State Department; in 1949, was Staff Assistant to the Budget Director; also worked in Fiscal Analysis Division on national defense programs; transferred to Legislative Reference Office in 1950, working on legislative liaison and program analysis; transferred to Resources and Civil Works Division in 1954, assigned Agriculture programs; in 1957 became Assistant Division Chief for Interior Department programs; in 1967 reorganization his title changed to present title.

*Charles Kraus, Assistant Division Director for Agriculture programs, Natural Resources Programs Division*¹

Attended Washburn College in 1931-32; B.S. in Business Administration and Accounting from Univ. of Kansas in 1938; Accountant, Skelly Oil Company, 1938-39; Field Representative for Federal Security Board, 1939-42; Accountant, Farm Credit Administration, 1942-45; Treasurer and Accountant, Viking Manufacturing Company, 1945-49; joined Budget Bureau's Estimates Division in 1949, working on Agricultural programs; in 1957, became Assistant Division Chief for Agriculture programs, Resources and Civil Works Division; in 1967, Bureau reorganization changed his title to present title.

*Monte Canfield, Jr., Budget Examiner, Natural Resources Programs Division*¹

Attended Washburn Univ., 1956-58; B.A. in Political Science from Wichita Univ. in 1960; M.A. in Political Science from Univ. of Colorado in 1963; graduate study in Government at Cornell Univ. in 1961-62; Advertising Manager Lakin, Kansas, Independent (newspaper), 1958; Assistant to Director of Management Development Programs; New York State Civil Service Department while a Public Administration Intern there, 1962-63; joined Budget Bureau's Resources and Civil Works Division 1963, working on Corps of Engineers-Civil, Interstate Water Compacts, U.S. Water Study Commissions, and the Delaware River Basin Commission; in 1966, began working on Interior Department programs, particularly, U.S. Geological Survey, Bureau of Land Management and Office of Water Resources Research to present.

¹ Currently active on the issue.

² Active on the issue in the past.

³ No longer employed by the Bureau of the Budget.

*Fitzhugh Thomas, Budget Examiner, Natural Resources Programs Division*¹

Attended George Washington Univ., 1959; Univ. of Virginia, 1959-60; B.A. from George Washington Univ. in Economics in 1962; U.S. Army, 1943-46; cattle farm manager, 1946-59; joined Budget Bureau's Resources and Civil Works Division in 1962, working on Agricultural programs; currently assigned Forest Service programs.

*Roman Hartness, Budget Examiner, Natural Resources Program Division*¹

B.A. from Harvard College in Political Science, 1956; graduate study at Univ. of Maryland in Economics from 1962 to present; Business and Economics libraries, Tulsa Public Library, 1959-62; Teaching Assistant, Univ. of Maryland, 1963-65; Social Science Researcher, Labor Management Services Administration, summer, 1964; Instructor, Department Information Systems Management, Univ. of Maryland, 1965 to present; joined Budget Bureau's Director's Office staff working on PPBS in 1965; transferred to Resources and Civil Works Division in 1966, working in Special Projects Branch; in 1967 was named Assistant to the Division Director for PPBS; to present.

*Ronald Landis, Budget Examiner, Natural Resources Programs Division*²

B.A. from Franklin and Marshall College in Political Science in 1955; M.P.A. in Public Administration in 1956 from Syracuse Univ.; Budget Analyst with State of Wisconsin, 1956-61; joined Budget Bureau's Office of Budget Review in 1961, working in budget methods area, during same year transferred to Resources and Civil Works Division to work on Agricultural programs including Forest Service programs until two years ago, assigned other Agriculture Department programs at present.

Dennis Rapp, previously Budget Examiner, Resources and Civil Works Division (now called Natural Resources Programs Division)^{2,3}

B.S. in Forestry from Univ. of Minnesota in 1952; M.P.A. in Public Administration from Harvard Univ. in 1958; U.S. Air Force, 1952-55; Research Forester, Lake Studies Forest Experiment Station, 1955-56; Management Intern, Department of the Interior 1956-57; Program Analyst, Bureau of Land Management, 1958-60; Policy Analyst, Outdoor Recreation Resources Review Commission, 1960-61; joined Budget Bureau's Resources and Civil Works Division in 1961 working on Interstate Compacts, U.S. River Basin Study Commissions, Corps of Engineers—Civil; from 1963 to 1965 worked on Interior Department programs, particularly U.S. Geological Survey, Bureau of Land Management, Bureau of Mines, Office of Oil and Gas, Office of Minerals Exploration, President's Energy Study Committee.

MR. ASPINALL. Now, Mr. Hughes, in your statement you make a further statement relative to policy, that it is the responsibility of the Federal Government to collect grazing fees. And this we will all agree to. But let me ask you this. What is the principle of your Bureau at the present time? Is it to make money off of these lands of the United States, or is it to permit multiple use of these lands of the United States, or it is for the purpose of taking whatever money that they have to build up the values that are inherent within these lands of the United States?

In other words, is it to try to find a comparability between private lands and public lands, or is it to make money, or is it to build up the money? Is it to be a good husband or is it to be a miserly husband?

MR. HUGHES. Well, Mr. Chairman, I am not sure that I could divide our policy into any one of those. Certainly, we are not trying to be miserly.

MR. ASPINALL. Well, may I say to you, Mr. Director, if you are not trying to be miserly, then these lands should have improved in their

¹ Currently active on the issue.

² Active on the issue in the past.

³ No longer employed by the Bureau of the Budget.

grazing qualities a whole lot during the last 40 years, and only in a few instances have they so improved. You know this is a fact, and all that know anything about it will have to agree to this.

Now, you may go ahead.

Mr. HUGHES. As we understand the laws, Mr. Chairman, and as we believe in good management policy, it seemed to us that pursuant to title V of the 1951 act that I mentioned, we should undertake to do what we could to establish more uniform, more fair and more equitable fees for the use of the public's property. We issued the circular that I mentioned, circular A-25, as a general guidance to the executive branch in determining user charges and in applying them, and we have tried over the years to implement, to carry out that circular and that policy. The policy where the use, sale, or lease of public property is concerned has contemplated in general that a fair market value should be obtained and the objective of the studies which you referred to and which I referred to in my statement was to obtain fair market value for the public's domain.

We certainly would agree with you that the property should be improved by its owners, the public, and by the Government which in a sense is the trustee for the public, that the caliber of the domain and the grazing should be improved, and we would hope that has been the case.

It is my understanding that there have been substantial improvements in it, but I think the representatives of the two agencies are better able to talk to that point than I.

Mr. ASPINALL. Well, what bothers me a little bit, Mr. Hughes, you go back to 1951 to quote your authority, yet between 1951 and 1968 you followed the agreed upon system as far as fees were concerned. Even after I had made a request in 1959, it took approximately 10 years to come up with what two departments thought was the equitable manner in which to do this.

Now, it just seems to me that it is a little bit difficult for the ordinary person to understand why all of a sudden, just as the Public Land Law Review Commission was getting ready to report, the answer was finally found. After some 10 years of sitting on your desk chairs and writing on the table you found the answer that you think satisfies people. And as I understand it, what you are doing now is to try to get the fair market value from any of the users of the public lands, is that correct?

Mr. HUGHES. We are attempting to move toward that objective, Mr. Chairman, with this scheduled increase in grazing fees.

Mr. ASPINALL. All right. Now, let me ask you the \$64 question. In the beginning it was the squatters that were unauthorized users of the public land, and then we had the fur trappers that were the unauthorized users, and then we had the graziers that were unauthorized users, and then we had the miners that were unauthorized users. All these years we have tried by some means or other to come up with the means of how to take care of this unauthorized use and to legalize the use and to charge reasonable fees for such use. Now, recreationists, are they users of the public land values, Mr. Hughes?

Mr. HUGHES. Surely they are.

Mr. ASPINALL. All right. Now, do such users as recreationists at the present time, do they pay fair market value for the use of these resources? Have you made a study on this?

Mr. HUGHES. We have, as you know, Mr. Chairman, pressed for fees for use of camping facilities in the forest and the parks, and for the charging of fees where recreation was available and where special facilities were available.

With regard to the passage of time, 10 years, which you referred to, these are difficult and complicated and controversial matters. So far as the Bureau of the Budget is concerned, we would have been delighted had action been possible by the responsible agencies earlier than it was. I think that fact probably speaks for itself. Nonetheless, the action did finally take place, and it seemed to us that it was consistent with the law and was sound public policy, and we, therefore, supported it.

Mr. ASPINALL. Would your Bureau be favorable toward a fair and equitable charge by recreationists and fishermen and hunters over and above the State license that is involved in such cases?

Mr. HUGHES. I personally would be, Mr. Chairman.

Mr. ASPINALL. I am not asking you personally, because I have got the greatest admiration for you personally of anybody in this room. I am asking about your Bureau.

Mr. HUGHES. I think on the basis of our circular A-25, Mr. Chairman, we would favor appropriate charges for extra services rendered to those who use the public property.

Mr. ASPINALL. Comparing these last raises for graziers, I understood you to say that you depended in the Bureau of the Budget upon the formula that the two other bureaus came up with, is that correct?

Mr. HUGHES. Yes, sir. We have supported the conclusions reached in this study that we have been discussing.

Mr. ASPINALL. You have a full understanding of the controversy over the value of the permit, is that correct?

Mr. HUGHES. Yes, sir, I believe I do. A full understanding may be an overstatement. I have a considerable understanding of it.

Mr. ASPINALL. And you have an understanding of the way that these permits have been transferred with values being placed upon them and the transfer of the base properties concerned, and you have an understanding of a banker's position in the lending of money to carry on the operations, and you have a fair understanding of the record of the Bureau of Land Management in the Department of the Interior and the Forest Service in the Department of Agriculture accepting and recognizing this record of businessmen and users alike and also of the administrators accepting and recognizing the value attached to the grazing permit, is that right?

Mr. HUGHES. I am aware of some of this history; yes, Mr. Chairman.

Mr. ASPINALL. And you also understand that this failure of the departments to recognize the permit value as a cost of doing business is the only place where the graziers really disagree with the departments in the setting of grazing fees at this time.

Mr. HUGHES. I believe the permit value question is in a sense the \$64 question here.

Mr. ASPINALL. All right. Now, Mr. Director, why was it necessary under those circumstances to go out on a 10-year program when up to now we have only had a 1-year program for the raising of grazing fees. Why was it necessary to go out on a 10-year program in order to carry out certain ideology that happened to prevail during the last administration thereby embarrassing this administration?

Mr. HUGHES. Well, clearly, Mr. Chairman, the intent was not to embarrass the administration nor the Congress.

Mr. ASPINALL. If that is true, why wasn't this done 6 months before or why wasn't it delayed until this administration could take up consideration of what was involved?

Mr. HUGHES. Well, as to the 6 months before, Mr. Chairman, I wish it could have been. That is all that I can say. I can only speculate on the reasons why it was not done.

With respect to further delay in the action, I can only repeat what I have indicated. We felt that the case for an adjustment, a phased adjustment, was clear and that it should be launched when we could, when the agencies were willing to do it.

With respect to the permit value, which I think is the heart of the problem, I would like to express my understanding of the situation and my rationale, if you will, for the exclusion of the permit value from the computations that resulted in the setting of the fees.

It seems to me that a very substantial portion of permit value, perhaps nearly all of it, is a reflection of the fact that over the years grazing fees have been lower than comparable fees on private lands.

Mr. ASPINALL. Now, Mr. Director, I am going to let you make your statement that that is the way you feel and the Office of the Budget feels, but you have people on this committee and in Congress that will take issue with you on that statement.

Mr. HUGHES. I certainly accept that, Mr. Chairman. I thought you were asking me the question.

Mr. ASPINALL. I was. I want you to continue.

Mr. HUGHES. Fine. It seems to me that the permit value does reflect at least in large part a value that has accrued because the fees charged for grazing on the public lands were not commensurate with those charged for grazing on the private lands. Thus to an extent, permit value reflects value that would otherwise accrue to the public if fees had been at levels commensurate with the value of the grazing rights.

If permit value, therefore, were deducted in some fashion from the fees charged, the effect of that would be to perpetuate a situation in which the public continued to receive less than the value of its property. And it is on this account, apart from perhaps equally valid but more technical legal considerations that permit values should not be a factor in the establishment of grazing fees. We think that sound policy requires that the fees be adjusted as promptly as is consistent with the history in this matter to levels that would fully reflect the value to the grazier of the public domain which the grazier uses.

Mr. ASPINALL. It is not my purpose to carry on a debate. I am going to let that answer rest.

Now, you know that we had scheduled before this committee in February 1968, over a year ago, hearings on grazing fees, and that we postponed these on the request of the Forest Service and the Bureau of Land Management. Did you know that?

Mr. HUGHES. No, I was not aware of that. I may have been aware at the time. I don't recall it now, Mr. Chairman.

Mr. ASPINALL. Well, I think you will find out it is a fact. We have the records of letters to the two agencies and their replies. And yet without taking this committee or its counterpart in the other body into its confidence so that we could have a hearing on these fees, these fees were raised after Congress went out of existence, this last Congress. No wonder some of us feel as if we have been imposed upon.

I just have one more question. I don't understand the significance of this paragraph, with respect to impact on users:

The Bureau of Land Management has over 14,000 permittees and the Forest Service has about 15,000 in the areas affected. However, 52 percent of all Bureau of Land Management forage is allotted to 23 percent of the permittees. Thirty percent of all Forest Service forage is allotted 8 percent of the permittees. Thus, the impact of the fee increase will be borne primarily by the large operators.

Are you trying to base the logic and the rationale for the fee increase and this additional burden upon the proposition that the people most affected are simply large operators; that large operators will be able to grow under our economic system and therefore should pay more? It isn't a question of bigness or largeness that you are trying to bring to our attention, is it?

Mr. HUGHES. No, sir. Our essential point is that we believe the public should receive a fair market value for the use of its resources.

Mr. ASPINALL. You are not going to get any more out of the big operator than you are a small operator?

Mr. HUGHES. We will get no more per head. We will get more in total. And that was the import of the paragraph. We were simply trying to say, Mr. Chairman, that there is a concentration of permits and that that will result in the increased fees being correspondingly concentrated.

Mr. ASPINALL. Well, Mr. Hughes, this is true with every business venture in the United States today, is it not?

Mr. HUGHES. It is certainly true with many. I don't know with all. It is certainly true with many.

Mr. ASPINALL. It seems to me here that just because there seem to be larger operators in this field, we are going to get more money out of them. That does not seem to be an equitable rationale on which to base the increased fees.

Mr. HUGHES. I was trying to talk to the question of the impact of the fees on the users and on concern with the smaller versus the larger operator, and that was the only point of the paragraph.

Mr. ASPINALL. Well, only one more question and I am going to stop.

Was it not during the administration and supervision of the Forest Service and under the Bureau of Land Management that those with the larger base properties became the larger operators and they got

the larger permits, or the permits to run a larger number of livestock, is that not true?

Mr. HUGHES. As far as I know that is true, Mr. Chairman.

Mr. ASPINALL. Yes, that is true.

Thank you very much. I reserve the balance of my time.

Mr. BARING. Mr. Chairman, I am going to ask that the members consent that Bureau circular A-25 be made a part of the record so that we can conveniently refer to it.

Mr. ASPINALL. That is all right. I reserve the right to object unless we place into the record at the same time the copies of the letters referring to our proposed hearings of February 5 and 6, 1968, that I referred to earlier.¹

Mr. HUGHES. Does the committee have the circular, Mr. Chairman. Do you wish us to furnish it?

Mr. BARING. I would like to have that for the record.

Mr. HUGHES. We will provide it.

Mr. BARING. Thank you.

(Information for the record follows:)

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., September 23, 1959.

CIRCULAR NO. A-25

To: The heads of Executive Departments and establishments.

Subject: User Charges.

1. *Purpose.*—Bureau of the Budget Bulletin No. 58-3 of November 13, 1957, set forth some general policies for developing an equitable and uniform system of charges for certain Government services and property. This Circular incorporates the policies contained in that Bulletin and gives further information with respect to: (a) the scope of user charge activities; (b) guidelines for carrying out the approved policies; and (c) agency submission of periodic status reports. It also prescribes Standard Form No. 4 on which periodic status reports are required.

Because this Circular applies also to the areas previously covered by Bureau of the Budget Circular No. A-28 of January 23, 1954, that Circular is hereby rescinded.

2. *Coverage.*—Except for exclusions specifically made hereafter, the provisions of this Circular cover all Federal activities which convey special benefits to recipients above and beyond those accruing to the public at large. The specific exclusions which continue to be governed by separate policies are fringe benefits for military personnel and civilian employees; sale or disposal under approved programs of surplus property; postal rates; interest rates; and fee aspects of certain water resources projects (power, flood control, and irrigation). In addition this Circular does not apply to activities of the legislative and judicial branches, the municipal government of the District of Columbia, the Panama Canal Company or the Canal Zone Government.

3. *General policy.*—A reasonable charge as described below, should be made to each identifiable recipient for a measurable unit or amount of Government service or property from which he derives a special benefit.

a. *Special services.*

(1) Where a service (or privilege) provides special benefits to an identifiable recipient above and beyond those which accrue to the public at large, a charge should be imposed to recover the full cost to the Federal Government of render-

¹ Letters dated Jan. 29, 1968, from Ed Cliff to the Chairman; Feb. 1 from the Chairman to Ed Cliff, and Feb. 13 from Ed Cliff to the Chairman will be found beginning on p. 12.

ing that service. For example, a special benefit will be considered to accrue and a charge should be imposed when a Government-rendered service:

(a) Enables the beneficiary to obtain more immediate or substantial gains or values (which may or may not be measurable in monetary terms) than those which accrue to the general public (e.g., receiving a patent, crop insurance, or a license to carry on a specific business); or

(b) Provides business stability or assures public confidence in the business activity of the beneficiary (e.g., certificates of necessity and convenience for airline routes, or safety inspections of craft); or

(c) Is performed at the request of the recipient and is above and beyond the services regularly received by other members of the same industry or group, or of the general public (e.g., receiving a passport, visa, airman's certificate or an inspection after regular duty hours).

(2) No charge should be made for services when the identification of the ultimate beneficiary is obscure and the service can be primarily considered as benefiting broadly the general public (e.g. licensing of new biological products).

b. *Lease or sale.*—Where federally owned resources or property are leased or sold a fair market value should be obtained. Charges are to be determined by the application of sound business management principles, and so far as practicable and feasible in accordance with comparable commercial practices. Charges need not be limited to the recovery of costs; they may produce net revenues to the Government.

4. *Agency responsibility.*—The responsibility for the initiation, development, and adoption of schedules of charges and fees consistent with the policies in this Circular continues to rest with the agency. Each agency shall:

a. Identify the services or activities covered by this Circular;

b. Determine the extent of the special benefits provided;

c. Apply accepted cost accounting principles in determining costs;

d. Establish the charges; and

e. In determining the charges for the lease and sale of Government-owned resources or property, apply sound business management principles and comparable commercial practices.

5. *Cost, fees and receipts, and their determination.*

a. *Determination of costs.*—Costs shall be determined or estimated from the best available records in the agency, and new cost accounting systems will not be established solely for this purpose. The cost computation shall cover the direct and indirect costs to the Government of carrying out the activity, including but not limited to:

(1) Salaries, employee leave, travel expense, rent, cost of fee collection, postage, maintenance, operation and depreciation of buildings and equipment, and personnel costs other than direct salaries (e.g., retirement and employee insurance);

(2) A proportionate share of the agency's management and supervisory costs;

(3) A proportionate share of military pay and allowances, where applicable;

(4) The costs of enforcement, research, establishing standards and regulation, to the extent they are determined by the agency head to be properly chargeable to the activity.

b. *Establishment of fees to recover costs.*—Each agency shall establish fees in accordance with the policies and procedures herein set forth. The provisions of this Circular, however, are not to be construed in such a way as to reduce or eliminate fees and charges in effect on the date of its issuance. The maximum fee for a special service will be governed by its total cost and not by the value of the service to the recipient. The cost of providing the service shall be reviewed every year and the fees adjusted as necessary. In establishing new fees and increasing existing fees the agency may make exceptions to the general policy (paragraph 3, above) under such conditions as illustrated below.

(1) The incremental cost of collecting the fees would be an unduly large part of the receipts from the activity.

(2) The furnishing of the service without charge is an appropriate courtesy to a foreign country or international organization; or comparable fees are set on a reciprocal basis with a foreign country.

(3) The recipient is engaged in a nonprofit activity designed for the public safety, health, or welfare.

(4) Payment of the full fee by a State, local government, or nonprofit group would not be in the interest of the program.

c. *Disposition of receipts.*—Legislative proposals shall generally avoid disturbing the present rule that collections go into the general fund of the Treasury as miscellaneous receipts. However, exceptions may be made where:

(1) It is intended that an agency or program or a specifically identifiable part of a program be operated on a substantially self-sustaining basis from receipts for services performed or from the sale of products or use of Government-owned resources or property.

(2) The agency can show that the initiation or increase of fees or charges is not feasible without earmarking of receipts.

(3) The receipts are in payment of the cost of authorized special benefits for which the demand is irregular or unpredictable, such as inspections performed upon request outside the regular duty hours.

This Circular is not intended to change the present system of sharing with States and counties receipts from the lease of certain lands and the sale of certain resources.

6. *Changes in existing law.*—In cases where collection of fees and charges for services or property in accordance with this Circular is limited or restricted by provisions of existing law, the agencies concerned will submit appropriate remedial legislative proposals to the Bureau of the Budget under the established clearance procedure, as provided in Bureau of the Budget Circular No. A-19.

7. *New activities.*—In the establishment of new Federal activities which would require special benefits, the agencies concerned are to apply the policies and criteria set forth in this Circular.

8. *Reports to the Bureau of the Budget.*—Each agency shall make a report by December 31, 1969, for each bureau or comparable organizational unit, of the costs and charges for all services or property covered by this Circular, and shall also make a report of changes not later than December 31 of each succeeding year as a result of its annual review of such costs and charges. The initial report for any new agency hereafter established (including those established by reorganization) shall be submitted on December 31 following the end of the first fiscal year during which the agency was in operation. Each report shall cover the situation as of the preceding June 30, and shall be prepared in accordance with the instructions set forth in the attachments to this Circular.

By direction of the President:

MAURICE H. STANS, *Director.*

INSTRUCTIONS FOR THE PREPARATION OF ANNUAL REPORTS ON USER CHARGES

1. *Form and coverage of reports.*—Reports shall be prepared on Standard Form No. 4, as illustrated in Attachment B. An original and two copies will be required.

The initial report should represent a complete inventory of all services of the agency which provide a special benefit to recipients above and beyond those accruing to the public at large, and all activities under which federally owned resources or property are or could be sold or leased.

Subsequent reports covering the annual review of costs and charges shall cover only (a) services and activities not reported earlier; (b) services and activities for which charges have been changed; and (c) services and activities for which changes in the applicable category (as described below) have taken place.

2. *Preparation of Standard Form No. 4.*

a. A separate form will be prepared for each of the following categories, where applicable:

(1) Special services for which existing charges are producing full cost recovery; and lease or sale activities which are returning fair market value.

(2) Special services for which existing charges are producing less than full cost recovery; and lease or sale activities for which less than fair market value is being obtained.

(3) Special services and activities for which no charges are currently being made, and for which charges are apparently required by the provisions of this Circular.

(4) Special services and activities for which no charges are to be made in accordance with the policy guidelines and exceptions provided in this Circular.

(5) Services and activities which have been discontinued or transferred to other agencies since the previous report. (This category is not applicable to the initial report.) The category of items covered by each form will be identified in the heading by placing an "X" in the box corresponding with the number of the category as shown above. Forms needs not be submitted for categories in which there is nothing to be reported.

b. Columns on the form will be completed as follows:

(1) Enter the identification number for the service or activity. Each service and activity shall be assigned an identification number which shall be retained from year to year, to facilitate identification in future annual reports. Agencies may devise their own coding systems for this purpose.

(2) List each special service provided under a heading "Special services", and each lease or sale activity under a heading "Lease or Sale."

(3) Enter the unit for measuring the service or property provided.

(4) Enter the amount of the charge being made for each unit as of the preceding June 30. In cases where there are various rates for differing situations, a summary schedule of rates may be attached in lieu of listing each rate individually.

(5) Enter the date the charge shown in column 4 became effective.

(6) Enter the amount of the charge which was made previous to the date in column 5.

(7) Enter the number of units of activity for the last completed fiscal year.

(8) Enter (in thousands of dollars) the cost of providing the service or the fair market value of resources or property sold or leased.

(9) Enter (in thousands of dollars) the amount of collections (net of refunds) during the last completed fiscal year.

(10) Enter the symbol of the receipt account, appropriation account, or fund account (excluding deposit funds) to which the collections were or will be credited.

(11) Enter any pertinent explanatory comments relating to the information shown in the preceding columns. On reports covering categories 2, 3, and 4, specifically note in this column, for each item, the reason(s) that full cost recovery or fair market value is not obtained. Also indicate whether full cost recovery for special services or fair market value for lease and sale activities can be obtained under existing law; the status of specific legislative proposals (e.g., under study, drafted, cleared, introduced, or reported); and the status of proposed administrative changes in fees and charges, including effective dates.

On reports subsequent to the initial report, indicate in this column the previous category in which the item was reported. On reports covering category (5), identify the services and activities transferred to other agencies or organizational units and the agency or organizational unit to which the transfer was made.

USER CHARGES REPORT

CATEGORY OF ITEMS (Check)

1 ☒ 2 ☐ 3 ☐ 4 ☐ 5 ☐

Agency Department of Government		Bureau Bureau of Public Affairs				Contact John Doe, Ext. 555		Date submitted December 15, 1959		
Identifi- cation Number	SPECIAL SERVICES OR ACTIVITIES	CHARGE AS OF JUNE 30				ACTIVITY, FISCAL YEAR 19				REMARKS
		Unit	Amount	Date es- tablished	Previous charge	Volume	Cost or fair market value (Thous.)	Collections		
								(Thous.)	symbol	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	SPECIAL SERVICES:									
PA-101	Licenses under Federal Licensing Act	Application and renewal	Schedule	12/12/58	Schedule	10,155	\$195	\$200	740899	See fee schedules attached.
PA-102	Entrance to Central National Park	Permit	\$1.00 per car	7/ 7/58	\$.75	49,765	48	50	740810	
PA-103	Registration of documents	Document	2.00	11/20/57	1.75	3,789	8	8	7490100	
	SALE OR LEASE:									
PA-105	Lease of land for commercial purposes	Acre	3.00' to 12.50	5/13/57	2.00 to 11.50	12,250	52	53	741830	

USER CHARGES REPORT

CATEGORY OF ITEMS (Check)

1 ☐ 2 ☐ 3 ☒ 4 ☐ 5 ☐

Agency Department of Government		Bureau Bureau of Public Affairs				Contact John Doe, Ext. 555			Date submitted December 15, 1959	
Identifi- cation Number	SPECIAL SERVICES OR ACTIVITIES	CHARGE AS OF JUNE 30				Previous charge	ACTIVITY, FISCAL YEAR 19			REMARKS
		Unit	Amount	Date es- tablished	Cost or fair market value (Thous.)		Collections			
							(Thous.)	symbol		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
PA-104	SALE OR LEASE: Rental of floor space for business concessions (Supplies of Standard Form No. 4 will be available in PSA Supply Center by October 30, 1959.)	Sq. ft.	10.00	6/18/59	8.00	8,150 to 10,000	85	79	745999	1,850 sq. ft. rented for part of year only.

EXECUTIVE OFFICE OF THE PRESIDENT, BUREAU OF THE BUDGET,
Washington, D.C., October 22, 1963.

To: The heads of Executive Departments and establishments.

Subject: User charges.

1. *Purpose*.—This transmittal memorandum amends Circular No. A-25 of September 23, 1959: (a) to change the date on which annual reports are due in the Bureau of the Budget, (b) to provide for additional information with regard to receipts derived from user charges and (c) to require the submission of a user charges inventory every fifth year beginning with the fiscal year 1964.

2. *Annual status reports to the Bureau of the Budget*.—Paragraph 8 of the Circular is amended to read:

"Each agency shall make a report to the Bureau of the Budget by September 30 of each year (except that the report for the fiscal year 1963 is due November 30, 1963), for each bureau or comparable organizational unit, giving the following information as of the preceding June 30:

"a. All changes in costs or charges for services or property covered by the Circular, as well as the establishment of new user charges. This report will be based on the agency's annual review of such costs and charges. (See Attachments A and B).

"b. Total collections from user charges during the fiscal year. Negative reports for subsection a need not be submitted; however, in those instances, the report required by subsection b must be submitted."

New Attachments A and B supersede the attachments to the original Circular.

3. *User charges inventory*.—The Circular is amended by adding a new paragraph 9 as follows:

"Beginning with the report due September 30, 1964, and every fifth year thereafter, each agency will submit a complete inventory of all user charges in effect on the preceding June 30. This report will be submitted in lieu of the report required by section 8a for those years.

"The initial report for any new agency hereafter established (including those established by reorganization) shall be submitted by September 30 following the first fiscal year during which the agency is in operation. This report will be an inventory of all costs and charges for services or property covered by this Circular."

KERMIT GORDON, *Director*.

INSTRUCTIONS FOR THE PREPARATION OF ANNUAL REPORTS ON USER CHARGES

1. *Form and coverage of reports*.—Reports required by this Circular shall be prepared on Standard Form No. 4 (see Attachment B). Annual status reports will cover the changes in costs and charges for services and property and the establishment of new user charges occurring since the last report. Negative reports are not required.

Each status report will be accompanied (or if no status report is required, submitted alone) by a table showing total amounts collected from user charges for the preceding year. This table should show a total for amounts deposited to miscellaneous receipts, without identifying the receipt accounts to which the deposit was made. Collections deposited to the credit of appropriations or funds (reimbursements to appropriations, trust funds, and revolving and management funds) should be separately listed, identified by account title and symbol, and the amount credited to each.

Initial reports of new agencies and the inventory report required every five years, should represent a complete record of all services of the agency which provide a special benefit to recipients above and beyond those which accrue to the public at large, and all activities under which federally owned resources or property are or could be leased or sold.

An original and two copies of each report will be required.

2. Preparation of Standard Form No. 4.

a. A separate form will be prepared for each of the following categories, where applicable:

(1) Special services for which existing charges are producing full cost recovery; and lease or sale activities which are returning fair market value.

(2) Special services for which existing charges are producing less than full cost recovery; and lease or sale activities for which less than fair market value is being obtained.

(3) Special services and activities for which no charges are currently being made, and for which charges are apparently required by the provisions of this Circular.

(4) Special services and activities for which no charges are to be made in accordance with the policy guidelines and exceptions provided in this Circular.

(5) Services and activities which have been discontinued or transferred to other agencies since the previous report. (This category is not applicable to the inventory reports.)

The category of items covered by each form will be identified in the heading by placing an "X" in the box corresponding with the number of the category as shown above. Forms need not be submitted for categories in which there is nothing to be reported.

b. Columns on the form will be completed as follows:

(1) Enter the identification number for the service or activity. Each service and activity shall be assigned an identification number which shall be retained from year to year, to facilitate identification in future annual reports. Agencies may devise their own coding systems for this purpose. Agencies may revise identification numbers on inventory reports.

(2) List each special service provided under a heading "special services," and each lease or sale activity under a heading "Sale or lease."

(3) Enter the unit for measuring the service or property provided.

(4) Enter the amount of the charge being made for each unit as of the preceding June 30. In cases where there are various rates for differing situations, a summary schedule of rates may be attached in lieu of listing each rate individually.

(5) Enter the date the charge shown in column 4 became effective.

(6) Enter the amount of the charge which was made previous to the date in column 5.

(7) Enter the number of units of activity for the last completed fiscal year.

(8) Enter (in thousands of dollars) the cost of providing the service or the fair market value of resources or property sold or leased.

(9) Enter (in thousands of dollars) the amount of collections (net of refunds) during the last completed fiscal year.

(10) Enter the symbol of the receipt account, appropriation account, or fund account to which the collections were credited. In cases where payments are credited to deposit funds until earned, report only the amounts actually paid to other accounts.

(11) Enter any pertinent explanatory comments relating to the information shown in the preceding columns. On reports covering categories 2, 3, and 4, specifically note in this column, for each item, the reason(s) that full cost recovery or fair market value is not obtained. Also indicate whether full cost recovery for special services or fair market value for lease and sale activities can be obtained under existing law; the status of specific legislative proposals (e.g., under study, drafted, cleared, introduced, or reported); and the status of proposed administrative changes in fees and charges, including effective dates.

Where there has been a change in category for an item, indicate in this column the previous category in which the item was reported. On reports covering category (5), identify the services and activities transferred to other agencies or organizational units and the agency or organizational unit to which the transfer was made.

STANDARD FORM NO. 4
SEPTEMBER 1959
BUREAU OF THE BUDGET
CIRCULAR NO. A-33

USER CHARGES REPORT

CATEGORY OF ITEMS (Check one)

1 ☒ 2 ☐ 3 ☐ 4 ☐ 5 ☐

AGENCY		BUREAU				CONTACT		DATE SUBMITTED		
Department of Government		Bureau of Public Affairs				John Doe, Ext. 555		September 15, 1963		
IDENTIFICATION NUMBER	SPECIAL SERVICES OR ACTIVITIES	CHARGE AS OF JUNE 30			PREVIOUS CHARGE	ACTIVITY, FISCAL YEAR 1963				REMARKS
		UNIT	AMOUNT	DATE ESTABLISHED		VOLUME	COST OR FARE MARKET VALUE (THOUSANDS)	AMOUNT (THOUSANDS)	ACCOUNT SYMBOL	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	SPECIAL SERVICES:									
PA-101	Licenses under Federal Licensing Act	Application and renewal	Schedule	12/12/58	Schedule	10,155	\$195	\$200	740899	See fee schedules attached.
PA-102	Entrance to Central National Park	Permit	\$1.00 per car	7/7/58	\$.75	49,765	48	50	740810	
PA-103	Registration of documents	Document	2.00	11/20/57	1.75	3,789	8	8	7490100	Reported in Category 2 for fiscal year 1962
	SALE OR LEASE:									
PA-105	Lease of land for commercial purposes	Acre	3.00 to 12.50	5/13/57	2.00 to 11.50	12,250	52	53	741830	

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(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	SALE OR LEASE:									
PA-104	Rental of floor space for business concessions	Sq. ft.	10.00	6/18/59	8.00	8,150 to 10,000	85	79	745999	1,850 sq. ft. rented for part of year only.

ATTACHMENT B
Circular No. A-25
Transmittal Memorandum No. 1

Mr. BARING. The gentleman from Pennsylvania.

Mr. SAYLOR. Mr. Hughes, I find myself in a strange position of not only supporting the action that was taken, but I also question certain features about it. Now tell me, is the information made available to me correct that, in the Forest Service, grazing fees ranging from 19 cents per animal-month to \$1.62 per animal month; is that correct?

Mr. HUGHES. I know that within the Forest Service, Mr. Saylor, the fees do vary by forest and by area of the country. I think the Forest Service would be a better respondent to that question.

Mr. SAYLOR. And BLM had a flat fee of 33 cents per animal unit month?

Mr. HUGHES. That is correct.

Mr. SAYLOR. Now, Mr. Hughes, as budget analyst for Presidents, you have watched budgets grow over the years. One of the items that has always been included in the growth of every budget has been cost-of-living increase that went into each one of these items; regardless of which section of the budget you looked at, whether it was for Defense or Agriculture, Interior or HUD or anything else, this item was always cranked in, is that not correct?

Mr. HUGHES. There is a growth—yes, that is correct, historically.

Mr. SAYLOR. All right. Now, you approved the recommendation of the two prior Secretaries of the Interior and Agriculture, Mr. Udall and Mr. Freeman, that would set in motion a uniform policy for both Agriculture and Interior for fees for grazing. And it is a 10-year program.

Now, is there anybody in the Bureau of the Budget or anywhere else that you know can tell me outside of Jean Dixon, who has sufficient perspicacity to tell us what is going to happen 10 years from now, whether or not we are going to have a depression in the next 10 years, whether we are going to have a bigger boom than we have anticipated in the next 10 years?

The reason I ask this question is, since you have been in the Bureau of the Budget, you can recall that certain people said to Harry Truman when he was President and he predicted on some of the information which your office furnished to him that the gross national product of this country would hit \$500 billion a year. Some people thought that was absolutely fantastic and could not ever happen. Now, we passed that figure and we have gone way beyond.

Now, if this is true, I want to know how much of this increase from 33 cents to \$1.23 or the 90 cents you have cranked in this increase that is going to take place in the next 10 years?

Mr. Hughes, you have told members of the committee and your statement says that the purpose of arriving at these figures is that you are supposed to get from these ranchers an amount of money that represents a fair return. Now how can you tell us 10 years from now \$1.23 is the right figure when for years the Forest Service has been charging \$1.64?

You see the quandry it leaves some of the members in.

Yes, sir.

Mr. HUGHES. Mr. Saylor, the fee schedule quite obviously cannot project fluctuations in the value of forage rights in the future. The 90 cents is in effect a catchup item which relates to the present value

of the forage. However, the fee adjustment over the years does have a component which is intended to reflect fluctuations over the years in the value of the forage, and we would expect that the administering agencies would take account of fluctuations in value with the objective always a fair return to the public on the uses of its property. But the schedule now set forth simply reflects a catchup basically.

Mr. SAYLOR. Mr. Hughes, do you think that if there is a catchup, that any farmer or any rancher who had been paying \$1.64 an animal unit month has a claim against Uncle Sam for 41 cents for every animal unit month he's paid that amount over the years.

Mr. HUGHES. Not as I understand it, Mr. Saylor. Again, I am not familiar with the specific figure, but the Forest Service people, I am sure, are. But as I understand the nature of grazing permits, that reflects an agreed upon judgment at that point in time as to the value of the forage.

Mr. SAYLOR. Well, then the only conclusion that I can come to is that these ranchers who have been paying \$1.64 an animal unit month have so abused their privilege that now it is worth about 40 cents, and in 10 years it will be up to \$1.23. That is an awful abuse that is incurred by these ranchers, is that not right?

Mr. HUGHES. First, the value today, Mr. Saylor, as we see it, is not represented by the first year's increment, rather the value is the average of \$1.23. The 10-year scheduling of the increase, as we see it, is simply a recognition of the fact that this is a difficult adjustment for those who have held grazing permits, and that in recognition of their problem and the adjustments that they will need to make, that the increase should be scheduled for a 10-year period.

Mr. SAYLOR. Have you in your arriving at this 10-year schedule taken into consideration what might happen as far as the value of the permits are concerned, or has your agency ever taken any action with regard to the sale of permits?

Mr. HUGHES. The question of permit value, Mr. Saylor, has been, I think, on everyone's mind throughout the series of studies which culminated in this grazing fee increase. It is, I think, the key question and the single most troublesome question.

My view, the Bureau of the Budget's view, is that first of all, permit value in the present scheme of things is obviously a cost of doing business. I do not think there is any way of avoiding that fact. However, that cost of doing business is in some sense a recognition of the fact that what would otherwise be a cost of doing business, that is the full fair market value of the grazing fee, has not been charged. And if permit value were applied as an offset against the grazing fee, then the public, as we see it, would be automatically precluded from receiving the full value of the grazing permit.

Mr. SAYLOR. Mr. Hughes, can you tell us from your own knowledge when grazing fee permits were first started?

Let me put it to you this way, Mr. Hughes. That is an unfair question to ask you.

Let me phrase the question this way. I have been informed rather reliably that in the national forests, since 1906 grazing fees have been, or permits have been issued for grazing—

Mr. HUGHES. That is my understanding.

Mr. SAYLOR (continuing). In National Forests. And that since 1936 grazing fees have been issued on public lands under the jurisdiction of BLM, is that correct?

Mr. HUGHES. I believe that is correct.

Mr. SAYLOR. Is that your understanding?

Mr. ASPINALL. Will my colleague yield?

Mr. SAYLOR. Be happy to.

Mrs. ASPINALL. Up to that time the grazers paid nothing.

Mr. SAYLOR. This is correct. Up till that time nobody paid anything for the use of these public lands. Now, from 1906 on in the forests, those people who had permits could go to banks in their areas or to prospective purchasers when they wanted to get out of business or to transfer it to somebody else and actually place a value on that permit, and the same thing occurred in public lands since 1936. Is that your understanding?

Mr. HUGHES. The permits have acquired a value over the years, Mr. Saylor. I don't know how they have been used in financial transactions, but I know that they do have a cash value in some instances a very substantial one.

Mr. SAYLOR. And this is so despite the fact that these permits are only for 1 year and that they are renewable at the option of the Forest Service and the Bureau of Land Management, is this not correct?

Mr. HUGHES. I think some of them are longer than a year, Mr. Saylor, but again I would yield to the experts in the business. I think some of them are 10 years.

Mr. SAYLOR. In other words, the administering body, be it the Forest Service or BLM or the Department of the Interior, has complete jurisdiction when the permit expires as to whether or not it will be renewed and for the number of animals that can be run under that permit, is that not correct?

Mr. HUGHES. That is correct.

Mr. SAYLOR. Now, were these matters taken into account by the Bureau of the Budget and the people that you assigned to make the study which resulted in these published increases?

Mr. HUGHES. We certainly were aware of the values, Mr. Saylor. We did not offset the values against the cost of the grazing permit in our calculations for the reasons that I have tried to outline.

Mr. SAYLOR. In other words, this was in your mind even though you did not take into consideration. In other words, the increased value that has been placed upon it in the open market. This you felt was an item which was completely outside of the matter which you were studying?

Mr. HUGHES. We think that the permit value should not be included as an offset on the cost of the grazing privilege.

Mr. SAYLOR. Now, I would be happy to yield.

Mr. ASPINALL. You were Deputy Director in 1967, were you not, Mr. Hughes?

Mr. HUGHES. Yes, sir.

Mr. ASPINALL. Were you aware of the fact that the Secretary of Agriculture recommended in 1967 that all 15 items be included in arriving at the fair market value of the grazing permit; that these factors be taken into consideration in establishing the new fees?

Mr. HUGHES. No, I was not.

Mr. ASPINALL. Thank you.

Mr. SAYLOR. Now, one of the problems that we are faced with in this committee, and I particularly as an easterner, looking at the situation, feel that the Bureau of the Budget, the Department of the Interior and the Department of Agriculture took too long in this program to arrive at comparable values. At the present time the people who have permits to run cattle on State lands are already paying a great deal higher figure than they are on either the forest land or on BLM land. From information which has been furnished to me, and the sources which, I believe, are reliable, private owners of land are charging a great deal higher price than even you are going to be charging 10 years from now.

Now, if these two facts are correct, how do you come to holding 90 cents in 10 years?

Mr. HUGHES. Mr. Saylor, first with respect to the timing, I think all I could do is repeat the statement I made before that if we could have moved more promptly on this, encouraged the departments to move more promptly, we would certainly have done so. I wish myself—I am sure I speak for the Bureau—that we had been able to act 6 months or a year ago. I think the air would have been a little clearer perhaps.

With respect to the relative levels of Federal Government versus State versus private charges, the studies undertaken by the two agencies and the Bureau attempted to appraise not only the forage values of the public domain but also the cost differentials between the use of the public domain and the use of private or State property where there were costs differentials. These relate to a variety of things—such things as greater losses through grazing in the national forests because of the terrain and the remoteness of some of the areas, and so on. But the study did try to take account of the cost differentials as they would affect the graziers. And at least in part the differences between the Federal charges and the private charges reflect these kinds of differentials. I feel that the \$1.23 is a reasonable, perhaps even a minimal, charge, but it is nonetheless a very substantial increase from where we are, and that was the reason for sustaining the increase over a period of 10 years.

Mr. SAYLOR. Well, I won't ask you to comment, but you say you would like to have had it done 6 months ago. All I can say is that if the Bureau of the Budget and the agencies would have been on their toes, it would not have been done 6 months ago. It would have been done 5, 10, or 15 years ago, and we would have had this all in effect right now.

Mr. HUGHES. Mr. Saylor, that is certainly correct. No matter when you do it, it is a difficult piece of business.

Mr. SAYLOR. It is. And I want to say to you, Mr. Hughes, that I appreciate your statement that you expect, or as far as you are personally concerned, that you would ask that any user of the public domain be required to pay a reasonable fee for the services which he gets—

Mr. HUGHES. Yes, sir.

Mr. SAYLOR (continuing). Be he a rancher, be he a fisherman, or be he anybody else. The reason that I think you are on sound ground here is that many of these ranchers when they get these permits

suddenly believe that they become the owners, and do not let any of them tell you that they do not think that, because some of them have run me off. They put drift fences up out there to keep the cattle in, and a couple of cowhands get on there and they think they own that land. They do not think they are permittees. They think that because they bought the permit or went down to the bank and bought that permit they own it. They want to run you off whether you want to camp or whether or not you want to do anything else. I for one only regret that you did not start right out with the \$1.23 fee—if you really wanted to have a good donnybrook—you are going to have one anyway—I would have set the fee down at \$1.23 to begin with because you could not have had any more flack than you have right now. Now, the ranchers that are keeping these cattle out on the public ranges represent about 8 percent of the cattle that come to the market. Now, to hear some of them cry you would think they represented 100 percent of all the cows that ever come to market and all the sheep that were ever going to be put on the market. They don't. And it is about time that those who are involved, whether it is the Forest Service or the BLM or anybody else, put right in those permits a clause to the effect that they do not own that land, that the lands are in public ownership. That is heresy with some of my western friends. I can hear some comments over on the right now: "Oh, Jesus Christ, you cannot have that."

Yes, you can. It is about time we all realize that they do not own it, that they are permittees just like everybody else and all the American citizens are given the right to use it. They are expected to pay a reasonable fee. Maybe it is inopportune that it came when it did. Maybe if I would have been in your position I would have raised them higher and had a shorter period. All I can say to you is I congratulate you. At least you made this step. I want to congratulate the Secretary of the Interior and the Secretary of Agriculture for having the courage to see to it that even though somebody else proposed it, they put the first step in operation.

Thank you, Mr. Chairman.

Mr. BARING. Would the gentleman yield.

Mr. SAYLOR. Yes.

Mr. BARING. Does the gentleman like beefsteak and lamb chops?

Mr. SAYLOR. I like beefsteak and lamb chops and I am willing to pay for it.

Mr. BARING. You may have to pay a duty on it from New Zealand because it is going to run a lot of our western people out of business.

Mr. SAYLOR. Well, I have heard that before. I have heard a lot of people are going to be put out of business. I haven't found any of them yet.

Mr. BARING. The gentleman from California.

Mr. JOHNSON. Well, thank you, Mr. Chairman. I think the two previous members of the committee have made a very complete record. I have nothing left to say.

But, Mr. Hughes, there are a couple of questions that I would like to ask. The survey that was more or less agreed to amongst the livestock industry, the Department of the Interior, the Department of Agriculture, and I presume the Bureau of the Budget, was made in

1966 by the western livestock industry and the various agencies that I named. They were all participating at that time; is that not true?

Mr. HUGHES. Yes, sir.

Mr. JOHNSON. Now, the chairman of the committee, the full committee, asked the question about the acceptance of the criteria at that time listing about 15. And I presume the Bureau of the Budget participated in that decision, too, at that time; is that right?

Mr. HUGHES. Well, I certainly think the question of permit values has been a constant consideration. Whether it should be included or excluded has been the——

Mr. JOHNSON. At that time I think it was more or less understood that it would have.

Mr. HUGHES. I accept that, Mr. Johnson, but I do not recall.

Mr. ASPINALL. If my colleague would yield, this was because of the fact that the departments had been working with the advisory boards and the industry and they were led to believe that these 15 items were to be considered as a whole.

Mr. JOHNSON. Now, it is also my understanding over the years at least that I have been in Congress, for the past 11, dealing with this problem that the number of animals had been reduced in these permits for the most part due to the condition of the ranges; is that true?

Mr. HUGHES. I do not know, Mr. Johnson.

Mr. JOHNSON. Now, it is also my understanding that the agencies have encouraged the livestock committees to come in and assist in the range improvement program. I think the average permittee figured that if he entered into that type of a cooperative effort to improve the range, that he was doing it with the idea that he would enhance the value in his permit. Was that your understanding a year or so back?

Mr. HUGHES. I do not think so. I do not think the permit value stems from that kind of a consideration, Mr. Johnson, as I understand the economics of this situation.

Mr. JOHNSON. Well, I mean on the part of the permittee. Maybe as a government bureau you would not consider this, but the average permittee I think figured that with his cooperative effort with the agencies that he dealt with, either the Forest Service or Bureau of Land Management, in the range improvement program on his part, that he was doing that to improve his values in his permit.

Mr. HUGHES. Certainly as the permittee he had responsibility, it seems to me, to exercise good management practices in the use of the range, and so on. And money has been—as I understand it, funds have been, both public and private funds, invested in various kinds of range improvements. But the permit value per se as I understand it stemmed in very significant part from the fact that the permittee had a right to use the public domain at essentially cut rates, below fair market rates.

Mr. JOHNSON. Well, were they given any credit for the improvement program that they entered into, whether it be for a cattle range, a sheep range, or a forest range?

Mr. HUGHES. I do not know, Mr. Johnson.

Mr. JOHNSON. Now, in your second question there, the permit value I think is the key to the whole thing.

Mr. HUGHES. I agree.

Mr. JOHNSON. And certainly we were a little bit surprised to see the action laying down a 10-year program. Now, is the 10-year program in effect at the present time under the new administration? There has been no thought given to setting this aside; it is in full force and effect as far as you are concerned?

Mr. HUGHES. The effect of the action taken in the new administration as I understand it, Mr. Johnson, is to in effect acquiesce in the regulations promulgated by the Secretaries of the Interior and Agriculture in the prior administration but with the express recognition that what was undertaken was simply the first step in a 10-year program, that these hearings would be going on as well as comparable hearings in the Senate, that there was pending court cases and also that the Public Land Law Review Commission is dealing with this and a host of related matters. And that all of these developments, all of these matters should be kept constantly in mind as time passes. And that if they indicate the need for adjustments in the scheduled 10-year program, those adjustments could be undertaken.

Mr. CLAUSEN. Would the gentleman yield?

Mr. JOHNSON. Just a moment. I have one more question. In your statement, as I read it, you will give review to the positions that are taken by the livestock industry and various members of this committee, the two committees of the Congress, but only a review.

Now, you also state here that you are going to watch very carefully the legal proceedings. Now, I presume that they have to do with the permit value. That is the one that you are watching the closest—

Mr. HUGHES. Yes, sir.

Mr. JOHNSON (continuing). Is that right?

Mr. HUGHES. It is my understanding they relate to the question of permit value.

Mr. JOHNSON. That is all I have. I yield to the gentleman from California.

Mr. CLAUSEN. I thank the gentleman for yielding because he has touched on a point that I had made a note of, and that is that you have seemed to make, Mr. Hughes, a very strong point over the fact that the people in the Bureau of the Budget and the personnel involved specifically in response to Mr. Aspinall's question could not be held responsible because it was a policy maker's decision. And now we find ourselves in a position where, as I understand it, the policymakers, namely, the assistant secretaries and the secretaries, have not as yet either been appointed or confirmed. And so I am wondering how the new administration could have a position other than to review the situation and give consideration to what will all be coming out of the Public Land Law Review Commission report? Now, could we have a policy decision on this?

Mr. HUGHES. Well, Mr. Clausen, obviously the Budget Director has been appointed, so has the Secretary of Agriculture and the Secretary of the Interior. The two Secretaries are the responsible administrators in this area. They have had the opportunity to conduct at least a limited review of the matter, and they have issued, each of them, releases of some sort, letters, press releases, the essence of which I think was the same as the response that I made to Mr. Johnson; namely, that they were not altering the course of action which the previous administra-

tion initiated but that they were keeping the subject under very close watch and would be reviewing it in the light of these developments that I have mentioned.

Mr. CLAUSEN. Then in fact they have not actually arrived at a decision. You place emphasis on review. I cannot imagine how any administration could arrive at a decision only having come into office for a matter of 3 or 4 weeks or a month.

Mr. JOHNSON. Well, would the gentleman yield?

Mr. CLAUSEN. You yielded to me, sir.

Mr. JOHNSON. Well, I just wanted to ask one further question. I think that the new administration has definitely gone on record supporting the 10-year program, as you have stated. The Secretary of Agriculture, the Secretary of the Interior and the Director of the Bureau of the Budget have all been sworn into office and are in full charge of their respective departments and agencies.

Mr. HUGHES. That is correct.

Mr. JOHNSON. So you people who appear here are speaking for the administration in support of the program, is that right?

Mr. HUGHES. Yes, sir.

Mr. JOHNSON. The 10-year program.

That is all I have, Mr. Chairman.

Mr. BARING. The gentleman from Iowa.

Mr. KYL. Thank you, Mr. Chairman.

You have the misfortune of being the first department witness, sir. I know some of these questions might have been better directed to other areas.

Mr. ASPINALL. Will my colleague yield?

Mr. KYL. Of course.

Mr. ASPINALL. He is the only one that can speak for the administration.

Mr. KYL. No, I do not agree with that, sir. As a matter of fact, in our previous hearings with the Secretary (matters I will not quote because it was in executive session), the Secretary of the Interior made very definite statements concerning this whole matter.

Mr. ASPINALL. That is correct insofar as he went at that time.

Mr. KYL. Well, if I may paraphrase rather than quoting directly, the Secretary of the Interior said that they were implementing step 1 of this program, that he did want to await the Public Land Law Review Commission studies.

Mr. ASPINALL. That's right.

Mr. KYL. And the purpose of the Department in the year ahead would be to study the effect of this increase from all angles.

Mr. ASPINALL. That's right.

Mr. KYL. So I think there has been quite definite policy statements regarding it.

Mr. BARING. The gentleman from Utah—I mean Arizona. [Laughter.]

Mr. STEIGER. That is your mistake, Mr. Chairman.

Mr. UDALL. Southern Arizona. I thank the Chairman for properly identifying my State, and I apologize to Mr. Burton for any slight upon his State.

Sam, I want later to question the agency managers of the two kinds of land in some detail. I really only have about one thing I want

to ask you. I have not yet gone into this as deeply as I have wanted to, and I have not had time. But you have said several times here this morning that the central question is whether you assign a value to the grazing permit. All the economics and all the problems flow from that. I want to make sure I understand. If you have a ranch, some base property plus a permit to graze so many cows on Forest Service, and I am buying that ranch from you. And, say I pay you \$100,000 as a part of the total price to get the permit that you have. The reason I am paying that \$100,000 is that I will thereby get the right to turn some cows loose on some acres and they will have some grass to eat, and I eventually can sell those cows and make some money. So, in making this transaction and financing it, I have to allow for perhaps \$5,000 a year to pay to you or the banker that financed it in order to get the ranch and have the privilege of doing it.

As I understand it, what you are really saying is that if I did not have to pay you the \$5,000 a year, if the permit had no value, then I would not have to pay you that, and therefore I could be taking that money and paying it to someone else. I would have that much additional money to play with. You say that when I buy the right to put cows out there to graze, I should not be paying you, the former owner, I should be paying the people of the United States who own that land?

Mr. HUGHES. That is essentially it, Mr. Udall.

Mr. UDALL. That is essentially what is involved?

Mr. HUGHES. I think this also gets to the question of what the permit is, the question Mr. Saylor raised. If you paid for that permit as though it were fee title or a lease, a 30-year lease or a 99-year lease, you were overcharged. You made a bad transaction. And that is wrapped up in this problem somewhere. But essentially I accept your formulation. The permit value, at least a very substantial part of it, is a reflection of reduced price grazing rights on the public domain.

Mr. UDALL. What the government is really saying is that the money I pay you for the permit you once held on your ranch is really something you do not own and did not earn, that any value it has belongs to the people, to the public?

Mr. HUGHES. Yes, sir.

Mr. UDALL. All right. Now, let me follow that through a little bit further. If we adopted the theory of the Budget Bureau and the agencies that are involved in these decisions and we charged grazing fees that did not reflect any value for the permits, over a period of time you would expect the value of those permits would be down. So when I wanted to buy a ranch from you a few years from now, instead of paying \$100,000, it would be worth \$10,000, five, maybe nothing?

Mr. HUGHES. Yes.

Mr. UDALL. One thing that bothers me then is that if you are going to phase this thing over a 10-year period to get up to market value fees at some point in the future, do you not think you will have, during the transition period, a kind of double taxation in which I am not only paying you for the permit value, but I am also paying the Government the fair market value grazing fee, based on a system that was not in existence when I bought the ranch from you? I am paying twice over this transition period.

Mr. HUGHES. I think that may happen to some extent again depending on the circumstances. The circumstances are tremendously varied as I understand it. First, about a third of the BLM permits, for example, are held by their original holders. Nothing was paid for those permits, and therefore there is nothing to extract the value from. Other permits have been held for a substantial period of time and in those situations in some sense the value of the permit has been extracted or amortized. And so that is another kind of situation which would vary with the amount of time that the permit has been held by the present owner, by what he paid for it, et cetera. But you are correct that in some circumstances the permit being a cost of doing business, and grazing fees also being a cost of doing business, there may be a degree at least of overlap. But it seems to us that the 10-year adjustment period tends to minimize that and that we ought not to lose sight of the ultimate objective which is to get the public its full value, fair market value for the resource.

Mr. UDALL. And in that connection, in connection with Mr. Kyl's question, I understand that your position is that the ultimate fees that are set forth in these new schedules that will take effect in 1979, 10 years from now, these are really in fact the fees that ought to be in effect now?

Mr. HUGHES. Yes, sir.

Mr. UDALL. But recognizing the problems of transition and adjustment, the Bureau has recommended that these be put in effect over a 10-year period?

Mr. HUGHES. Yes, sir.

Mr. UDALL. And your response to Mr. Kyl was that if I sold a cow in 1969, that the total impact on the price, averaging it all out, would be a tenth of 1 cent drop in value. That would be the net impact of it, as though the price of beef had dropped one tenth of a cent in value?

Mr. HUGHES. That is correct.

Mr. UDALL. And that at the end of 10 years the average impact would be the same effect as if the price of beef had dropped one full cent in value?

Mr. HUGHES. That is correct.

Mr. UDALL. All right. Well, I shall follow these hearings with interest, and I admire the way you represent the government here, even though I do not agree with everything that has been said. You are a good man certainly.

Mr. HUGHES. Thank you.

Mr. BARING. The gentleman from Arizona.

Mr. STEIGER. Thank you, Mr. Chairman. Mr. Director, before I ask some questions—do you want to suspend now, Mr. Chairman?

Mr. BARING. Unless there is objection, we will continue the hearing until 12 and take up again at 1:45.

Mr. STEIGER. Thank you, Mr. Chairman.

Mr. Director, since you were the recipient of the comments of the gentleman from Pennsylvania, I will take this opportunity as a former permittee on the national forest to agree that I have run people off of public lands. I ran a fellow off once because he was shooting at my house. I ran a fellow off once because I caught him destroy-

ing a windmill. And I ran one fellow off because I saw him leave a gate open. I would point out that in the 11 years I was a permittee, I also pulled out an unknown number of people from mudholes, directed lost hunters, endured abuse such as was evident by the gentleman from Pennsylvania in my role as a wealthy and bloated cattleman. And so I would only submit that as I am sure you are aware, Mr. Director, I think the image of the permittee as some kind of spoiler of the public lands is an invalid image and I won't ask for comment on that. On page 4 of your statement, you make what I think is a very critical remark. You say: "Whatever the policy issues, we believe that the validity of the basic data should not be in issue at this point in time." And I would submit very respectfully, Mr. Hughes, that in my view, this is indeed an issue. As I understand it, and you please correct me, the basis of the raised fees is based entirely on the value or the cost of similar services provided on deeded land, on fee land. In other words, in arriving at a fair market value you have used those values which are charged by owners on fee land; is that correct?

MR. HUGHES. No, Mr. Steiger. First, certainly I think the committee should look into the validity of the basic data collected in more detail than is possible in this kind of a session. Certainly you ought to explore it with people who are more familiar with it and with land management than I am. But the effort with the studies that have been made, was to collect information both on the benefit side, the value of the grazing in the abstract, and on the extra problems or costs associated with the multipurpose use of the public domain and involves the tolerance, if you will, of other users, hunters, and so on, and also of the special features which tend to be characteristic of at least the forests: Remoteness, rugged terrain, et cetera. So that there was involved in the study, consideration both of the forage values per se and of the costs, inconveniences, and so on, that are associated with the multipurpose use of the lands.

MR. STEIGER. I appreciate that, Mr. Hughes, but in effect even with all those values on the side of public land grazing——

MR. HUGHES. Yes.

MR. STEIGER (continuing). These were still balanced against a fee and a value assigned them when comparing them with the fees that private individuals were charging; is that not correct?

MR. HUGHES. Yes. Yes.

MR. STEIGER. Now, I am sure that the Bureau recognizes that the private fees are arrived at by negotiations between the——

MR. HUGHES. Yes.

MR. STEIGER (continuing). Lessee and the lessor.

MR. HUGHES. Willing buyer, willing seller, and so on.

MR. STEIGER. Any special condition is taken into effect in those individual negotiations?

MR. HUGHES. Yes.

MR. STEIGER. Now, I submit that in the calculations that you have arrived at, you have failed to overlook the tremendous variables which are present in the use of public lands, and necessarily so because what you have done is arrived at an average. Now, for example, on BLM, you can on some BLM land only run two head to the section. That is two head for every 640 acres.

MR. HUGHES. I know.

Mr. STEIGER. OK. In fact, in lots of years you should not run that. And on other BLM lands you can run up to 15 head.

All right, now, did you in your considerations—well, obviously you could not have because all you could do was average that out, but in averaging it out you arrived between, on that particular item, between two and 12 you arrive at a figure of, between two and 15 you arrive at a figure of somewhere around nine. Now, the man who is running nine head to the section is not, it is not costing him as much per head as it is the man who is running two head. If he were negotiating a lease with a private individual on which he could only run two head, he would pay less for that land than the guy who could run nine head. It is a fact of life. I submit that the absence of the consideration of these variables—and there are many—is very serious. Moisture conditions in the areas will vary, the rainfall, I assume, can vary all the way from 10 inches—in fact as a practical matter, from nothing to 20 inches. Well, that would have a tremendous, would be a tremendous factor in the cost of operation.

Now, I submit that nowhere in these studies have these variables been taken into account, the distance from market, the employment problem, the labor problem, the supply problem, and as a matter of fact, they cannot be. They must be averaged because you used a computer. And I submit that there is no computer that can move a herd of cattle 30 miles.

Mr. HUGHES. Well, I agree with the latter statement, sir. First, we did, in the study, attempt to take into account many of the variables which you mentioned. You are correct, however, that we have ended up with a single rate. Now, this is in accordance with traditional practice in the Bureau of Land Management but not traditional practice in the Forest Service. A good deal of consideration—which the more expert people from the departments can talk to better than I—but a good deal of consideration was given to the question of variable fees. And these were rejected in the final analysis for a variety of reasons, not the least of which is that the differentials, the appropriate differentials are very difficult to arrive at.

To an extent, of course, some of the kinds of differences which you are talking about, and which I certainly recognize, are reflected in terms of the number of animal unit months that livestock is on the property. But necessarily we end up with a single fee which by definition does not take full account—we hope it takes adequate account, but may not take full account of, for instance, the difference in management costs as between sparse range and more fertile range, where you can have a greater concentration of cattle, and so on.

But again I would yield to the two administering agencies, only repeating that the Bureau of Land Management traditionally has done it this way, that is, on the basis of overall averages. The Forest Service has not. And we did think very carefully about the two alternatives.

Mr. STEIGER. Thank you, Mr. Hughes. My colleague from Arizona mentioned the severe loss that those more recent purchasers of permits would suffer under even a 10-year transition period. Did it occur to the Bureau of the Budget at any time, in allowing, in breaching the sacrosanct area of not permitting a value on the, of not recognizing

a value on the permit, to considering the fact, the interest and capital payments that are currently being made for a time certain to be credited against an account—a charge, rather, of the grazing fee of an individual in order to more equitably help him over the transition period.

Mr. HUGHES. I have certainly thought of it, and I am sure the departmental people have. What the charges are here, to what extent there is doubling up, would depend a great deal on individual circumstances. My feeling has been that a 10-year delay in the implementation of full cost is an adequate recognition of that kind of problem.

Mr. STEIGER. If I might interrupt there, Mr. Hughes, as a matter of fact, the 30 percent of the permittees who are the original families on BLM land—I don't know this for a fact, I only know perhaps 10 of them, but I assume that if these, the 10 that I know are typical, then they have actually, while they have never had to pay for their permit, they have borrowed money on it and are now paying off money, because anybody who has been in the cow business for that long has to be seriously in debt. It is an economic fact of life. So I would submit that you have not exempted the 30 percent who are the original owners from the hardships of the duplicate payment, if you will. And I think this is one area, by the adamant position which will not recognize in the cost of operation, including the interest payments and the amortization of permit, you have worked a hardship that in my view is not the role of the Government to work. You have got to contract with these people on a yearly basis. History has dictated that they can expect, if they do not violate the law, they will be retained as permittees. The financial institutions recognize the stability. And now you are saying that we are going to disturb this balance for good and proper reasons, and we are not going to recognize the problem that we are creating but we are simply going to attempt to ease it by phasing it out over a longer period. I just do not think that is a valid approach.

Mr. HUGHES. Well, Mr. Steiger, the public, the owners of the property have for 30 years or more—more I guess—failed to receive value for the use of their property.

Mr. STEIGER. Excuse me, Mr. Hughes, right there. Now, I realize this is the assumption, or this is the position based on this million-dollar study that we have heard so much about. Now, actually there is a very serious and very responsible position as far as I am concerned that refutes that which says that the intangibles which you mentioned, the preservation of wildlife, the conservation of range land, the physical improvements the permittees have sustained, the improvement of roads and so on which you have heard so much about, these things have perhaps been of more value than the cash return. And I think any value you placed on them has to be arbitrary. You have arrived at the conclusion which I am sure you can defend, but on the other hand, you must recognize that this becomes a judgment area. It is not simply a matter of statistics.

Mr. HUGHES. I think there is more than judgment involved in this, and I would urge that you and the committee look at the data that is available. I think the facts do support a conclusion that the situation

that I have described is accurate. I think the very existence of permit value is a recognition of that fact. I do not see what other conclusions you can reach. That permit would have no value or would have a much less value were it not for the fact that it made grazing available at less than normal costs.

Mr. STEIGER. OK, right there, Mr. Hughes, the dollar value of the permit is presumably an equation that equals the cost to the producer, less the amount he is going to save on the difference between that and deeded land.

Mr. HUGHES. Yes.

Mr. STEIGER. But in effect the public is receiving other values by the very presence of the producer as a landlord in residence, if you will, and I do not see how you could possibly have arrived at a dollar value for them and in the proprietaryship that the gentleman from Pennsylvania mentioned where the man feels a real responsibility for this piece of ground; even though it is not his, he is providing a value to the public in that role, and, therefore, the public has not been cheated as is the view of both the departments and the Bureau. And this is a view I think that is really questionable.

Mr. HUGHES. It is not a question of cheating the public, Congressman. It seems to me that the public, simply through administrative error or administrative discretion has not received fees comparable to those for private properties or State properties which involve similar pluses and minuses, and that the permit value is an economic recognition of that. And if the public land grazier were in fact putting as much into the public lands as he would be investing in total in a comparable private lease, then the permit value would not be there or would be much less.

Mr. BARING. Mr. Hughes, is it possible for you to be back at 1:45?

Mr. HUGHES. Surely.

Mr. BARING. The committee will stand in recess until 1:45.

(Whereupon, at 12:05 p.m., the subcommittee recessed to reconvene at 1:45 p.m.)

AFTERNOON SESSION

Mr. BARING. The Subcommittee on Public Lands will continue. This morning when we recessed we had on the stand as a witness Phillip Hughes, Deputy Director of the Bureau of the Budget.

Mr. RYAN, do you have any questions of Mr. Hughes.

Mr. RYAN. I was interested, Mr. Hughes, on page 4 of your statement, you referred to the fact that apparently 5 percent of the permittees have 52 percent of the forage land under the Bureau of Land Management and then 8 percent have 30 percent of the Forest Service land. I wonder if you have a detailed breakdown of that percentage and if you can provide that for the record.

STATEMENT OF PHILLIP S. HUGHES—Resumed

Mr. HUGHES. I do not have it with me, Mr. Ryan. The Forest Service and the Bureau of Land Management, respectively, do have it. They have breakdowns by the number of animal unit months in a fashion which would enable you to see the array.

Mr. RYAN. It strikes me as a rather heavy concentration of power. I wonder if you have any comment on that.

Mr. HUGHES. I am not sure how much power there is, but there is some concentration of holdings, yes.

Mr. RYAN. Economic power.

Mr. HUGHES. I do not really have any comment other than that included in my statement. The question does arise inevitably as to the impact of a fee adjustment on those who hold permits and I think it is at least tacitly accepted—I accept the general thesis—that it is a more difficult adjustment for a smaller operator than for a larger. It is inevitably difficult for anybody, however. The problems, therefore, are significant, but I thought these figures were indicative of the fact that the permits do tend to be held by relatively limited numbers of grazers.

Mr. ASPINALL. Will my colleague yield?

Mr. RYAN. Yes, Mr. Chairman.

Mr. ASPINALL. The size of the permit is related directly to the size of the private holdings, is that not right?

Mr. HUGHES. I would assume so.

Mr. ASPINALL. And in the first instance, when the permit went to whoever held it at that time, it was determined by the size of the private holding and the proximity of the area, is that not right?

Mr. HUGHES. I would think so, yes.

Mr. ASPINALL. And the two are related together in the economic operation, the private land is related also to the operation of the permit land. Isn't that right?

Mr. HUGHES. I believe so.

Mr. ASPINALL. So that if one is lessened in its effectiveness as far as the operation is concerned or increased in its effectiveness, it has a direct bearing on the other, is that correct?

Mr. HUGHES. Yes, I think generally that is right.

Mr. RYAN. Then there is a ratio between the amount of land permitted to be used under the permit and the private holdings of an individual user? What is that ratio?

Mr. HUGHES. I do not think that is a permissive relationship. I think the Chairman's point, and I agree with it, essentially is that large permit holdings in the form of a large number of animal unit months, generally speaking, relate to large holdings at a home place, privately owned ranch, which serves as a base unit for the operations on the public domain.

Mr. RYAN. Yes, but is there any formula that has been worked out?

Mr. HUGHES. To the best of my knowledge, no. I think again the bureaus, the Land Management, and the Forest Service, could answer that better.

Mr. RYAN. Are the 5 percent of the permittees individual users? Are they corporate users? What are they?

Mr. HUGHES. I am sure they are both, Mr. Ryan, but I do not know that.

Mr. RYAN. I wonder if there is any elaboration of the figures to provide a picture of the concentration of power on the part of the users of this land?

Mr. HUGHES. There are detailed figures available with respect to the size of permits and the people, the number of people in that cate-

gory, who hold them. I think I would be glad to provide them for the record. I do not have them with me. I think, however, that the two agencies can probably provide them from the material that they have.

Mr. RYAN. Do I understand correctly that under the law the holder of a permit may sell that permit?

Mr. HUGHES. As I understand the situation, permits have acquired value and have been sold.

Mr. RYAN. From one user to another?

Mr. HUGHES. One private user to another.

Mr. RYAN. Do you have any view as to whether or not that is sound policy? What would be your opinion of a system whereby the permits reverted to the Government instead of the holders being able to engage in private transactions with them?

Mr. HUGHES. I think it would be possible to make, by law, permits nonnegotiable. The permit value, however, that has accrued is a reflection, as least in substantial part, of the underpayment to the public for the use of its resource. Permits have acquired a value because they represent an opportunity to acquire forage at less than the value of such forage. The practice has been, as I understand it, to exchange these permits between private holders, and they have, in the process, acquired a value.

Mr. RYAN. If the user paid a grazing fee equivalent to what he would pay for private land, then would the permit have any value?

Mr. HUGHES. It seemed to me it might well have some value in any event, because it does represent a right to use the public domain. It seems to me that generally speaking, at least, the value would be significantly less. It certainly would be less to the extent that permit value does reflect the undercharging of the permitholder for the use of the public domain.

Mr. RYAN. I wonder how monopolistic a system has resulted from the ability under the law of the users to buy and sell permits. Do you have any figures which would show the concentration of ownership of these permits over a period of time? If 5 percent of the permittees hold 52 percent of the land today, what was it 10 years ago, what was it 20 years ago? Do you have any chart of that?

Mr. HUGHES. I believe the agencies might have that information. Mr. Ryan. As a comment without any direct information on the kind of trend you are talking about, it does not seem to me that monopoly, per se, is a problem in this area. As a matter of fact, part of the difficulty in setting the grazing rights value stems from the fact that, as the chairman pointed out, the contiguousness of the home place to the public domain land is an important consideration and that the number of equally qualified users is therefore limited. It is this fact which in part has led to the practice of not having competitive bidding and of establishing the fees by administrative arrangements of one sort or another. If the lands were so situated that large numbers of people could bid competitively, and if the characteristics of the industry were such that it could stand that kind of uncertainty, some of these problems, at least, would not arise. But a history, as I understand it, of the business of grazing privileges is a history whereby the desire of the industry and, for that matter, of the Government, has been to stabilize arrangements which would permit satisfactory assurances to the per-

mit holder on the one hand and satisfactory return to the Government on the other without the uncertainties on both sides that would come from competitive bidding.

Mr. RYAN. I think the whole area needs further exploration. I have used up all my time.

Mr. BARING. The gentleman from Arizona?

Mr. STEIGER. I have just two questions, Mr. Chairman. Thank you.

I am going to allay the fear of the gentleman from New York with regard to the cattle industry on public land being consumed by some monopoly interests. It is so obviously unprofitable I do not think any monopoly would be interested in it.

Mr. Hughes, as we left this morning, I think that I was trying to establish the fact that or make clear for the record the fact that the lessee on deeded land is free to negotiate, which you recognized, as opposed to the lessee on public lands. I am in agreement that the permits have value because of the reduced price. The one point that I was not clear in my own mind on in your response was the other basis on which you felt the public had not derived the full value from public grazing lands. I was not able to go into this when I first phrased the question, but recognizing that the reason there is commensurate deeded land for public grazing lands was that the best lands were taken up by private individuals, leaving in the main, particularly in the case of BLM lands, lands of generally inferior quality.

Did you take into consideration—I guess this is the way to phrase the question—the fact that in many cases, if it were not for the developed commensurate lands, particularly the BLM leases, the BLM grazing lands would have little or no value. Were you able to throw that into the computer?

Mr. HUGHES. There are a lot of people in this as well as computers, Mr. Steiger. We tried, and I think again, it is something you will probably want to pursue with the managers of the domain. But we tried to take account of the significant factors of that sort in the study. The question which you raised this morning and implicitly at least, raise again of variable fees—

Mr. STEIGER. Right.

Mr. HUGHES (continued). I think is a valid question. The two agencies have adopted—have followed different practices in the past which at least suggests that there is doubt about our ability to distinguish effectively between chunks of property.

The conclusion of the study was that the better practice, sounder practice, was to establish a fee based on averages of widely ranging data and with somewhat wide ranges on the cost side of the problem as well, and that this would produce, did produce in our judgment, at least, valid results. I think your satisfying yourself on that point will take some looking at the information, the details of the data. There are necessarily, I think, averages here and the striking of appropriate middle points where that seems appropriate and valid without damage to the Government or to the permit holder. But, in general, the study did try to take account of those kinds of considerations—the extra costs and the lesser benefits, if you will, of grazing on the public domain as distinguished from the private property or the school section, as the case may be, or the railroad section, and so on.

Mr. STEIGER. For the purposes of the record, and I know this is something that has been belabored, but to my knowledge it has not been mentioned here, with regard to a value on the permit again, I take a position or I have the impression that since you have always referred to it as an acquired value, you are saying actually it is a value that you do not choose to recognize for good and valid reasons. I would only point out, as I am sure it has been pointed out to you, that there are other Federal agencies that do recognize it. The Internal Revenue Service recognizes it and taxes it. The FHA recognizes it and lends money on it—the Farm and Home Administration. I think somewhere down the road we must reconcile the whole Federal posture with regard to the permit and if, indeed, it does not have a value, then at least it should not be taxed by the Internal Revenue Service.

Mr. HUGHES. I think we are dealing with somewhat different kinds of problems. Clearly, because people pay for them, permits do have a value, at least in the minds of some. Since——

Mr. STEIGER. You die awfully hard, Mr. Hughes. I appreciate that.

Mr. HUGHES. What is that?

Mr. STEIGER. I say you die awfully hard.

Mr. HUGHES. Well, they do have a value, and since money is paid for them by the person who acquires the permit, they are a cost of doing business. I do not see any point in arguing about that.

The question, it seems to me, that was before the agencies who are studying this and the question that is before the committee is whether the cost of acquiring a permit, or that permit value, however you want to look at it, should be taken into account in establishing a grazing fee.

My position that I do die hard is that it is not appropriate to take it into account, because that would perpetuate a situation in which the public is not receiving full value for the use of its resource.

Mr. STEIGER. I have been reminded, I think very properly, by the staff that under the 1942 act, another Federal entity, the Defense Department, pays for leases to the appropriate agencies when it acquires a permit. So here again there is a pattern. And I think in fairness, maybe it is just semantics, Mr. Hughes, but if we would not refer to them as an acquired value or as a probable value or as a value in the minds of some, but simply recognize that these things have a value, and if what you are saying is that we do not want to figure this value in for what we consider good and valid reasons. But the things have a value. It has always offended me. It is a great deal like the king with no clothes, where the child said, "Look, he is naked." But the thing does have a value.

Mr. HUGHES. I agree the permit does have a value, it represents a cost to the man who acquires it. But the question before the House, if you will, before the committee, is whether that should be included in the computation, in the judgments that go into the calculation of grazing fees.

Mr. STEIGER. I thank the Chairman.

Mr. LUJAN. Will the gentleman yield on this?

Mr. STEIGER. I will be happy to.

Mr. LUJAN. Mr. Hughes, you have been proceeding on the basis that the value permit would have a value because of the fees.

Mr. HUGHES. Some portion of a value, a rather significant one.

Mr. LUJAN. I disagree with you on that. The value of the permit is because there is no more land, because of the unavailability of land. Regardless of what the fee is, it has no connection, or rather, what the grazing fee is, it has no connection with the value of the permit. Perhaps on that basis you might be able to give us consideration to the permit value.

Mr. HUGHES. It does not seem to me that that is the case.

Mr. STEIGER. As a matter of fact, in substantiation of that, and I do not know the situation in New Mexico, but in Arizona we have only 12 percent of the land that is deeded land, so the actual space factor is a factor. I am glad the gentleman raised it because it is a very valid factor.

If you want to run cattle in Arizona, you have to run it on public land, because there is simply not enough deeded land.

Mr. HUGHES. That is right.

Mr. STEIGER. I do not know how you could compute the value of available space, and it must be computed.

Mr. HUGHES. It seems to me you are trying to arrive at the comparable value of land, what people would pay for similar land if it were private, and that is the true value of that privilege.

Mr. STEIGER. I thank the Chairman for his patience.

Mr. HUGHES. It seems to me the factor which you mention here, limits on the availability of land, would affect private as well as public lands, and the value of all lands would be increased proportionately.

Mr. BARING. Mr. Burlison?

Mr. BURLISON. Thank you, Mr. Chairman.

Mr. HUGHES. I am, at least at this point, a neutral in this controversy. Speaking as a neutral, I would like to commend you on the very skillful way in which you have presented the position of your Bureau.

Mr. HUGHES. Thank you.

Mr. BURLISON. I have just one or two questions.

I notice on page 2 of your prepared statement you mention that the 33-cent fee amounts to about 20 percent of the comparable private fee. I am wondering if you have any history of the cost value ratio over the years? You have projected it here as 20 percent. I am wondering, has it been comparable to that over the years, or do you have any records on that?

Mr. HUGHES. I have seen data on that, Mr. Burlison; I do not have any with me. I think the two agencies will be prepared to offer that kind of data. I was satisfied in my own mind.

I indicated earlier here that in my judgment, at least, the fees did not represent anything comparable to the private fees, but whether the ratio has been a fifth or a fourth or a third or a half, I just am not sure.

Mr. BURLISON. Do you have any projections on how this 1 to 5 ratio for 1968 will be changed by the changes that you are proposing?

Mr. HUGHES. Over a period of 10 years, under the proposal, the present BLM fee of 33 cents would be increased to \$1.23 in more or less even steps. This would bring it to still something less than the comparable, as near as we can tell, in private biddings for some of the reasons that Mr. Steiger outlined. There are differences between the use of the public domain and the use of private holdings. The lands

are rougher, there are competing uses, if you will, and other considerations which the agencies and we try to take account of in the study which was made.

Mr. BURLISON. Thank you, Mr. Hughes.

Thank you very much, Mr. Chairman.

Mr. BARING. Mr. Clausen from California.

Mr. CLAUSEN. Thank you, Mr. Chairman.

I would like to reiterate what others have said, Mr. Hughes, the extreme confidence many of us have in your ability in a given time to analyze all the factors. There are a couple of questions which I would like to clarify in my own mind, some of which you may not be able to present fully in detail and they may come out in further testimony. But it would be my hope that this committee would have a full exposure of the guidelines that have been used by the various agencies in determining values because I note there has been a great deal of emphasis placed upon value comparability between the public and the private sector.

One thing that comes to my mind, is whether or not there has been consideration given for the local taxes that are paid, the investments, the risk factors, and one very important item which is a problem for many of the people that own private lands contiguous to these public lands; that is, the risk that is involved in investment when there is no guarantee of a continuity of ownership.

In addition to this, it would seem that we need to have clearly spelled out what the rights and the responsibilities of the permittees actually are. So if you have any comment on this, I would like to have your response to this point, and, if not, I simply make the point for the record, hoping that the committee will have this fully spelled out sometime during the course of these hearings.

Mr. HUGHES. I do not have any very specific comments, Mr. Clausen. Certainly a grazing privilege represented in the permit is a different thing than fee title or a lease, either one. The consequences of that fact with respect to the private holder of the permit, as well as to the State and county, local governments, are some of the things that we are discussing here.

It seems to me the question of payments in lieu of taxes, if you will, is really a different question. The agencies, as I understand it, do in some circumstances make payments for the improvement of the range and make other payments which are, to some extent, in recognition of the fact that the communities are deprived by Federal ownership of a certain tax base. But it seems to me those considerations are separate ones from this rather central concern of the permit value.

Mr. CLAUSEN. Well, Mr. Hughes, this again is one of the reasons I have some personal concern about the implementation of the fee schedule now, because it is what the Public Land Law Review Commission was established for, in order to analyze all these factors and tie together in a comprehensive recommendation all the matters that would give us something very specific upon which to advance some recommendations.

Mr. HUGHES. I certainly would welcome the committee's consideration both of what we have done and what the Public Land Law Review Commission may be in the process of doing. I think the subject merits careful consideration.

Mr. CLAUSEN. What amount of money would actually be involved if the recommended fee schedule that has now been suggested for implementation would be suspended for a year or at least for such time as the Public Land Law Review Commission report is finalized?

Mr. HUGHES. As I understand, Mr. Clausen, the billings have already been made by the agencies for this first adjustment.

Mr. CLAUSEN. Is that on an annual basis?

Mr. HUGHES. Yes. The next action will take place roughly a year from now and nothing will happen between now and then anyway with respect to further billings.

Mr. CLAUSEN. How much money is involved?

Mr. HUGHES. I think there are around \$5 million in each of the agencies at the present time, but again—

Mr. CLAUSEN. Is that the total fee schedule?

Mr. HUGHES. That is the fee schedule; yes.

Mr. CLAUSEN. What I am concerned about is how much money is going to accrue to the so-called benefit of the Federal Treasury as a result of—

Mr. HUGHES. That would be roughly a tenth.

Mr. CLAUSEN. A tenth of \$5 million, approximately, with each agency?

Mr. HUGHES. The gentlemen tell me about \$1 million in this initial round for BLM; \$375,000 for the Forest Service.

Mr. ASPINALL. Mr. Chairman, I object to this kind of information, this bringing of information in when we get somebody from the stand. Perhaps the information given to us is wrong.

Mr. CLAUSEN. In other words, you suggest that I ask the other agency witnesses?

Mr. ASPINALL. Surely.

Mr. CLAUSEN. I think that will satisfy my questions.

Mr. BARING. Mr. Wold?

Mr. WOLD. I thank you, Mr. Chairman.

Mr. Hughes, I want to add my compliments to those that have been given to you and the expertise with which you have fielded these questions. I want to mention that I am also impressed with the frugality of the Bureau of the Budget. This is the only testimony that has been mimeographed on both sides of the sheet of paper.

I am interested in your statment that has been repeated several times, that the permit value is part of the cost of doing business. Is that right?

Mr. HUGHES. I think it is a cost, yes.

Mr. WOLD. What I am wondering about is—and I think we are agreed, apparently—that the problem that we are discussing rotates around how you handle the permit values in a comparison of grazing costs on Federal lands versus private lands. I am wondering how this can be, from an accounting point of view, considered part of the cost of doing business, and yet be completely ignored when you analyze the use of these permits.

How do you justify that?

Mr. HUGHES. Well, permit value is a cost in the instances where a price has been paid for the permit. That cost is not universal because many permits, a significant number of permits, are held by original

holders, and they therefore incurred no cost for the permit. Also other permittees have, through the use of the permit over a period of time, had an opportunity to extract the benefit from the permit and thereby, in some sense, amortize their cost.

But the essential reason, it seems to me, for excluding the permit value, some representation of permit value from the grazing fee, lies in the fact that the permit value has accrued because the public has been underpaid for the use of its resource. If that permit value were built into the calculation, then the public would never extract the full value from its resource.

It seems to me this is not right. The public has been underpaid, as we see it, over a period of years and on the average, for the use of its forage. The purpose of the adjustments that we have supported is to more adequately compensate the public for the use of its resource.

Mr. WOLD. Do you suggest, Mr. Hughes, that the only fair value would be on the basis that it be so high nobody would want to buy one?

Mr. HUGHES. No, I do not know what a permit value is in the abstract, but it would seem to me that whatever that value is, the public, which owns the lands we are talking about, should receive a fair market value for the use of those resources by the people who graze cattle or sheep on them.

Mr. WOLD. In the case of one who acquired a permit by virtue of ownership of deeded land originally, but who has never traded the permit, I missed your inference on this. You suggested that this was the reason—this does not mean that it does not have a value, certainly?

Mr. HUGHES. It has a value, but the individual who has it did not incur any cost.

Mr. WOLD. Did he not incur a cost in the acquisition of the deeded land that permitted him to qualify for this permit?

Mr. HUGHES. I do not know that. Certainly, he did not pay for the permit.

Mr. WOLD. One thing that I do not completely understand here is on page 4—

Mr. HUGHES. Could I take that further?

Mr. WOLD. Yes.

Mr. HUGHES. If he did pay for the land, pay an extra value for the land because of its association with the permit, it seems to me that some of that value accrued because of the underpricing of the grazing privileges.

Mr. WOLD. Well, this is part of the theory of commensurability, is it not?

Mr. HUGHES. I do not know that theory, sir.

Mr. WOLD. Let me ask you one other question. We are short of time, Mr. Chairman.

On page 4, you make the statement in your testimony, "Thus, if credit were given for all or some portion of the permit value in establishing grazing fees, the permittee, in effect, would be given a proprietary interest in the public lands."

What do you mean there when you talk about proprietary interests?

Mr. HUGHES. The effect of giving credit for permit value. Incidentally, this is an extraction from a statement that is more completely made in the BLM testimony and quotes a document, a legal

opinion, in the Department of the Interior. But the giving of credit for the permit has the effect, at least as I see it, of saying to the permit holder that he is entitled to a part of the return on the value of the public lands.

Mr. ASPINALL. If my colleague will yield.

Mr. WOLD. I yield; yes, sir.

Mr. ASPINALL. What you are saying is that this gives the permittee no more property right than he held before, but if you do not give it to him, it denies him the right to have this considered as a part of his doing business, is that not all you are saying?

Mr. HUGHES. No, if you do not consider it—if you consider the permit value for purposes of arriving at the grazing fee, the effect of that—

Mr. ASPINALL. That is doing business.

Mr. HUGHES. Yes. The effect of that is to transfer the return on the property from the property owner to the permit holder.

Mr. ASPINALL. And his permit can be ended at any time regardless of how you consider this, one way or the other.

Mr. HUGHES. But the public grazing fee, the grazing fee paid to the public, would be continued below its true value.

Mr. ASPINALL. Does not the assignee of a lease, no matter what kind of a lease it is, have a right to have whatever value attaches to that as part of his cost of doing business?

Mr. HUGHES. Well, I think—the permit, it seems to me, is not a lease, as I understand it.

Mr. ASPINALL. Well, it has the same effect as a lease.

Mr. HUGHES. I am not sure of that. I did not think so, Mr. Chairman.

Mr. ASPINALL. It depends upon what is written into the provisions of the permit.

Mr. HUGHES. I think that is certainly true. But if permits were leases, or if they involved title, their situation would be different, it seems to me.

Mr. ASPINALL. I thank the gentleman.

Mr. CLAUSEN. Will the gentleman yield?

Mr. WOLD. Yes.

Mr. CLAUSEN. Just following that line of reasoning, this goes back to the question of rights and responsibilities for the permittee and the agreement that is established.

But do we not, Mr. Chairman, have the similar situation to what we have been considering to the concessions of parks? Is it not very similar?

Mr. ASPINALL. You have it every place where they are doing business. Of course, I refuse to be questioned.

Mr. WOLD. Mr. Chairman, I was worried about that phrase, "proprietary interest," and over the lunch hour I looked up a Webster's definition of "proprietary" and it says, "One who has exclusive title to a thing." As I understand this permit, no title changes hands.

Mr. HUGHES. If the permit holder were entitled to a portion of the return on the lands, the effect of that is to give him payment as though he were a proprietor.

Mr. WOLD. Is not this the right you have under any kind of a

lease, the use, the right to a preferential use of whatever you are leasing?

Mr. HUGHES. But not at reduced rates.

Mr. WOLD. But there is no change of title. That is what I am worried about on your proprietary phrase.

Mr. HUGHES. I agree. I did not intend to say change of title. I was trying to express the fact that the permit value, if it stands, and if account is taken of it in the establishment of the grazing fee, transfers part of the return from the owner to the permit holder. And I do not think that is proper.

Mr. WOLD. But if there were not some assurance of continuity of use, there would be no public benefit?

Mr. HUGHES. I am sorry?

Mr. WOLD. I say if there were not some assurance of continuity of use, you could not have public benefit.

Mr. HUGHES. Well, permits do have a time period specified. Presumably, their value, whatever it is, relates to that time period.

Mr. WOLD. I will relinquish the remainder of my time.

Mr. BARING. Thank you very much, Mr. Hughes.

Our next witness is the Under Secretary of the Department of the Interior, Russell Train.

Mr. ASPINALL. Mr. Chairman, we are going to be hardpressed for the next 3 hours. I would ask unanimous consent of the committee that when Mr. Train and Mr. Rasmussen get through with their presentations, that Chief Cliff come up and make his presentation at the same time so we may cross-examine them or question them together.

Mr. BARING. Without objection, it is so ordered.

STATEMENT OF RUSSELL E. TRAIN, UNDER SECRETARY OF THE DEPARTMENT OF THE INTERIOR

Mr. TRAIN. Mr. Chairman, members of the House Interior Subcommittee on Public Lands, I appreciate the opportunity of coming before you to take part in discussion of recently adopted regulations increasing grazing fees. My own statement will be brief. I am accompanied by the Director of the Bureau of Land Management, Boyd Rasmussen, who has a more detailed statement and is prepared to answer technical questions that members of the committee may have.

The new schedule of grazing fee increases went into effect on January 14, 1969. The schedule provides for \$1.23 per animal unit month grazing fee to be in full effect in 10 years. The first increment is 11 cents, making the 1969 animal unit month charge 44 cents. The land users are now receiving their grazing billings at this increased rate. My understanding is that this is within 1 cent per animal unit month of what most stockmen interested in the issue believe is "reasonable." However, this represents the total increase they are willing to accept as compared to \$1.23. The major concern relates to the handling of the "permit value."

For our part, the Department will keep this whole matter under review in the future. We will be evaluating and reviewing with great care the information presented at both this hearing and the Senate committee hearings last week. The legislative proceedings now in prog-

ress and the litigation currently in process in the States of Utah and New Mexico may also have a bearing on the final outcome. We also believe that the Public Land Law Review Commission might later have some information and recommendations that could reflect on the scheduled grazing fee increases. Because the scheduled increase in grazing fees has been implemented does not mean that the subject is closed forever.

I would like to ask that the Department of the Interior news release of February 18 concerning the grazing permit billings be placed in the record.

Parenthetically, I believe that that was furnished to the full committee some while ago.

Those of you who are familiar with the news release know that Secretary Hickel announced that the billings for the grazing permits were being issued in accordance with the published regulations.

Within the statutory and legal limitations, we of the new administration are determined to see to it that a "fair market value" fee will be charged in the coming years.

I have asked Director Rasmussen to report to you the steps the Department took prior to January 14, working with the Department of Agriculture and the Bureau of the Budget in evaluating and developing its decisions.

Once again, I want to thank you for the fact that you are holding these hearings. I appreciate the opportunity of appearing before you and look forward to working cooperatively with members of this committee and the Senate committee in handling this and other matters.

Thank you very much.

Mr. ASPINALL. Mr. Chairman, I would ask that the release—the order—I do not want the release, I want the order—that the order referred to by Under Secretary Train be made a part of the record at this place.

Mr. BARING. Without objection.

Mr. TRAIN. I believe the only order as such are the January 14 regulations. There was no written order, to my knowledge.

Mr. ASPINALL. Mr. Under Secretary, a release has no standing. Do you have something besides a release?

Mr. TRAIN. No, sir.

Mr. ASPINALL. I will amend it to put the release in for whatever worth it has. It has no value, of course, except to show an intent of the Under Secretary and the Secretary. They have testified and part of it is in the record of the Committee.

Mr. BARING. The motion of the member, without objection, is so ordered.

(The document referred to follows:)

DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
February 18, 1969.

GRAZING PERMIT BILLINGS ISSUED BY BUREAU OF LAND MANAGEMENT

Secretary of the Interior Walter J. Hickel has announced that the Bureau of Land Management is mailing today grazing permit billings in accordance with the regulations which were published January 10, 1969 (43 CFR 4110).

The new regulations were first published in substantially their present form, on November 16, 1968, and finally approved on January 10. They provide for an increase in grazing fees on public lands spread over a ten-year period.

Ranchers using public domain rangelands will pay 44 cents per animal unit month during 1969, compared with 33 cents during 1968. The schedule calls for graduated increases during the next ten years until the fee reaches \$1.23—which is calculated to be the present fair market value of forage on the public lands.

According to the final promulgation:

"One of the purposes of this change is to authorize the determination of grazing fees which reflect fair market value as a range forage pricing objective based upon an appraisal of operating costs which considers comparability between Federal and private grazing lands."

Secretary Hickel issued the following statement in connection with the grazing fee billings:

"On January 10, 1969, the previous Administration issued final regulations requiring increases in grazing fees on the public lands. Under those regulations, the total increase is to be spread over the ten-year period 1969-1978.

"I support fully the objective that the Federal Government receives a fair return for the use of public lands by grazers. At the same time, I recognize that there are differences of opinion as to what constitutes a fair return.

"The new rate schedule was made final just ten days before the new Administration took office. The 1969 grazing season is now almost upon us and, indeed, the mailing of permit billings is already overdue. Under the circumstances, orderly process requires us to move ahead and initiate the new schedule. As a result, billings for the 1969 season, based upon the new schedule, are now proceeding. I am assured that the Department of Agriculture is taking similar action.

"Litigation is now in process in two Federal courts concerning the new schedule of fees. Legislation involving these matters has been introduced in Congress. Congressional hearings have been scheduled by Committees of both the House and Senate.

"The Department welcomes the Congressional hearings on this subject which will begin in the near future. I am sure that much useful information will be obtained.

"For our part, the Department will keep this whole matter under review in the future, taking into account new information and new circumstances, including those developed in the course of judicial proceedings, Congressional hearings, and recommendations of the Public Land Law Review Commission."

Mr. JOHNSON. I reserve the right to object to the motion of the Chairman of the full committee.

Mr. ASPINALL. Mr. Secretary, there had to be some kind of a decision on the part of the Secretary and the Department to substantiate this release. Do we have that?

Mr. TRAIN. There was no written decision, to my knowledge, Mr. Chairman. I think the sequence of events will clarify the situation.

Mr. ASPINALL. You do not have to give that, because we know that.

Let me ask you this: Do I understand at this time that it is the position of this administration that the order that was released, published and released, by the last administration is your act as of this time?

Mr. TRAIN. No, sir.

Mr. ASPINALL. That is all, Mr. Chairman.

Mr. BARING. Mr. Under Secretary, how could they send out the billings, then, without having an order?

Mr. TRAIN. Without an order?

Mr. BARING. Yes. The new administration sent out the billings for the grazing permits, but they were not in any of the published regulations, then, if you were not dating back to the previous administration.

Mr. TRAIN. There were regulations in effect as of the 14th of January of this year setting up a new schedule. Were we not to mail out

the billings, the Department would have been not implementing its own regulations.

Mr. ASPINALL. But there was not any necessity of a release. All that you had to do to implement what had been decided by the former administration was to issue your billings instead of publicizing your action.

Mr. TRAIN. That is correct, sir.

Mr. ASPINALL. This is the reason that I ask if you accepted the order by the last administration as your order. Apparently you do, because it is existing law and you do not go any further than that, except for publicity's sake, is that right?

Mr. TRAIN. We accept it as the law that is on the books until changed, yes, sir. And the release was issued as a matter of public information only.

Mr. BARING. Mr. Rasmussen, would you care to present your statement at this time?

STATEMENT OF BOYD L. RASMUSSEN, DIRECTOR, BUREAU OF LAND MANAGEMENT OF THE DEPARTMENT OF THE INTERIOR

Mr. RASMUSSEN. Mr. Chairman, members of the committee, the Bureau of Land Management appreciates the opportunity to meet with this committee on the subject of grazing fees. Grazing fees and the new regulations have been a matter of considerable interest on both sides of the question. Some aspects of the new regulations have been accepted as an improvement over the former system. Unfortunately, these aspects have been largely overlooked in the issue over the new fee amount and its duration. This statement will cover various aspects of the new grazing fee policy and will start with a brief background on the grazing resource and grazing charges.

The Bureau of Land Management is responsible for management of the grazing resource on the public domain lands in the West. In total, the Bureau is responsible for multiple-use management on about 450 millions acres of land; 175 million acres located in the 11 Western States and 275 million in Alaska. As directed by Congress, and in cooperation with the people and local governments, these lands are administered for forage, wildlife, minerals, recreation, wood and water, open space, and community growth. The land area suitable for grazing of domestic livestock in the Western States is about 160 million acres.

Cattle and sheep have grazed the public domain lands for many years going back to the Spanish colonization and the later American settlement periods. Livestock operations on public lands have been an important use and will continue to be. Congress passed the Taylor Grazing Act in 1934 to stop uncontrolled grazing and injury and to provide for orderly use of the lands, as well as to stabilize the dependent livestock industry. The Classification and Multiple Use Act of 1964 reaffirms domestic livestock grazing as part of multiple-use management. Public land forage is important to the dependent ranchers and communities in the Western United States. Furthermore, livestock grazing is an important component of balanced land use. On a national basis, public domain lands administered by the Bureau of

Land Management provide about 1 percent of the feed for all cattle and 6 percent of the feed for all sheep. In the 11 Western States about 5 percent of all cattlefeed and 13 percent of the sheepfeed is provided by public domain lands.

The first grazing fee for use of public domain land in the Bureau of Land Management districts was established in 1936, 2 years after the passage of the Taylor Grazing Act. At that time the Secretary of the Interior proposed a 10-cent fee. The Department viewed this as a minimum acceptable fee and not a full value fee. The livestock industry was unwilling to accept the 10-cent fee and the 1936 fee was set as 5 cents per animal unit month.

The flat fee of 5 cents prevailed from 1936 to 1946. From 1947 through 1957, the fee increased through the years by negotiation with the livestock industry to 15 cents. Beginning in 1958, the fee was set through a formula using livestock prices as an index. The fee gradually increased to 19 cents in 1962.

Grazing fees became the subject of hearings before the Senate Interior Committee on February 7-8, 1963. These meetings indicated that the fees on public domain continued below the fees charged by other Federal agencies and private lease rates. Based on the livestock price formula, the fee was increased to 30 cents in 1963. In 1968, the fee was 33 cents.

Meanwhile, pressure developed for an overhaul of the basis for charging grazing fees. In the act of August 31, 1951, 65 Stat. 290, Congress spelled out its general policy on fees and charges for Government services, privileges, permits, and similar things of value. Subsequently, audit reports of the Comptroller General were critical of the level of fees charged. The Comptroller General's report of September 1958, transmitted to the Congress on September 24, 1959, recommended a joint study be undertaken with the objective of arriving at a uniform basis for establishing grazing fees.

The Bureau of the Budget also expressed interest in charges for federally owned natural resources which resulted in issuance of Budget Circular A-25, in 1959, the Natural Resource User Charges Study in 1964.

The basic thrust of these directives is that: (1) where federally owned resources or property are leased or sold, fair market value should be obtained; (2) a uniform basis should be used by all agencies to establish fees; and (3) that fees should be based on the economic value of the use to the user. Economic value should be set by appraisal or competitive bidding. Where competitive bidding is not feasible, the appraisal should take into consideration comparability with fees established for comparable use of State and private grazing lands.

Correspondence in 1959 and 1960 between Chairman Wayne Aspinall of the House Interior Committee, and the Departments of Agriculture and Interior, led to agreement that a uniform approach to grazing fees was desirable and that a task force should be formed to undertake a joint study.

An Interdepartmental Grazing Fee Committee consisting of professional representatives of the Departments of Agriculture and Interior, working with the Department of Defense, Bureau of the Budget, and Economic Research Service, made a detailed study of

user charges for livestock grazing on all Federal lands. Through other studies, some of which were conducted by western universities and the Economic Research Service, the committee selected a set of procedures that would form the basis for a data collection survey. The study design was tested by Utah State University. The study would use appraisal procedures to establish grazing values. This is essentially the same approach used in establishing Federal timber and mineral values. The Bureau of the Budget approved the design. The study proposal was reviewed thoroughly with industry representatives and received their approval prior to implementation. They provided an economist to assist in the study design, including the selection of cost items to be inventoried. As a part of the study, it was agreed that transaction evidence regarding sales of permits would be gathered from financial institutions.

The Statistical Reporting Service of the Department of Agriculture conducted the survey for the Bureau of Land Management and Forest Service in 1966. It provided data needed to estimate grazing values on some 98 national forests, 19 national grasslands, and 48 Bureau of Land Management districts. Fact gathering included 17 Western States.

Costs of the study, survey, and analysis were about \$1 million. Some 10,000 individuals and 218 financial institutions were interviewed and more than 14,000 questionnaires were collected. These included Forest Service and the Bureau of Land Management grazing permittees and ranchers who are not permittees, but who lease private grazing lands. Grazing industry representatives were kept informed on the study as it proceeded.

The cost data from the 3,828 Bureau of Land Management permittees and that portion of the private lessees associated with the Bureau of Land Management sample are attached to this statement. The difference between total private costs, \$4.65, and total public costs, \$3.34, was \$1.31. This represented a base fee for the Bureau of Land Management.

To check the analysis of the survey data at this point, the Arthur D. Little Co., Inc., a private management and consulting firm, made an independent analysis of the Bureau of Land Management and private lease data. Their report supported the findings.

The industry worked with the Bureau of Land Management in evaluation of the survey. Between March 1966 and January 1969, 21 meetings were held. Livestock industry representatives and others attended to discuss the survey and resulting data. For example, on August 25, 1967, a meeting of the Special Grazing Fee Committee of the National Advisory Board Council was held to discuss progress on the fee study. The major concern of the industry at that time was the fact that permit values had been excluded as a deductible cost in calculating Federal grazing fees. This point was unresolved in the opinion of the industry. Meetings with other groups interested in public lands were also held.

The General Accounting Office and the Bureau of the Budget were concerned with the patchwork fees charged by agencies. The data produced for both the Bureau of Land Management and Forest Service was analyzed to determine if the survey showed any statistical

differences between the cost of using each agency's lands, and if there was a basis for a variable fee between and within the agencies. A technical committee on the analysis of grazing cost data, chaired by Mr. Earl Houseman, Director of Standards and Research Division, Statistical Reporting Service, performed the analysis. Other members were from the Economic Research Service, Bureau of Land Management, Forest Service, and the Bureau of the Budget as ex officio. The committee concluded that there was no statistical support from the 1966 grazing survey for a different fee base for cattle and sheep, or for Bureau of Land Management and Forest Service, or for variable fees within either agency. The result of combining Forest Service and Bureau of Land Management data was that the base fee for both agencies was \$1.23 rather than the \$1.31 indicated for the Bureau of Land Management only.

There is a difference of 90 cents per animal unit month for cattle and sheep between the existing Bureau of Land Management fee of 33 cents and the appraised fair market value of \$1.23. In order to allow an adjustment period for the livestock industry, a 10-year period was provided for reaching the full price, amounting to an increase of 9 cents per year. Federal receipts from grazing would be less than fair market value during this period. So would be the share of these receipts returned to the States and to grazing districts for range improvements.

In the past, the grazing fee has been adjusted annually according to changes in the average price of beef and lamb in the 11 Western States. Since the fee is now based on the fair market value of public forage, it would be adjusted annually by an index computed from the average rental rates paid by ranchers for private forage in the 11 Western States. These rental rates are published annually in "Farm Real Estate Market Developments" by the Economic Research Service, U.S. Department of Agriculture.

The new regulations for fees collected within the Bureau of Land Management districts provide that one-third of the fee be designated by the Department as a range improvement fee, and two-thirds as the grazing fee. The range improvement fee, when appropriated by Congress, is used for range improvements which benefit the permittee; 12½ percent of the grazing fee is returned to the States to be spent for the benefit of the counties from which the fee was collected. The balance goes to the Treasury. The new regulations continue the previous allocation to range improvements.

Much of the current discussion about the new fee schedule has focused on whether the permit value should be considered in determining the base fee.

Public domain land grazing permits are transferable. The term permit value refers to the cost of acquiring the grazing privilege in a private transaction. It is a transaction between private individuals which does not involve the Federal Government. In other words, it is the price one rancher pays to another to acquire his grazing privilege. One-third of the Bureau of Land Management permits are held today by their original owner. The value of the permit has increased in price through the years.

The 1966 survey indicated that the average permit value paid in private transactions pertaining to Bureau of Land Management

lands was \$14.41 per animal unit month. The livestock users ask that the annual interest cost of holding the permit be included as an operating cost in determining the fee. They ask that 6 percent of the permit value of \$14.41 or 86 cents per animal unit month be deducted from the fair market value of forage. The Department did not include this cost in setting the base fee. If it had been included, the base would be 37 cents per animal unit month rather than \$1.23. The study did include the cost to the rancher of range improvements placed on the public lands and his maintenance for them. Title to many of these improvements remains in the name of the rancher. Credit for these items has been included in calculating the \$1.23 base.

Giving the permittee credit for the interest on the permit value in computing fees would recognize that the permit gives the operator a proprietary interest in the public lands. This is clearly prohibited by the express provisions of section 3 of the Taylor Grazing Act that * * * "So far as consistent with the purposes and provisions of this act, grazing privileges recognized and acknowledged shall be adequately safeguarded, but the creation of a grazing district or the issuance of a permit pursuant to the provisions of this act shall not create any right, title, interest, or estate in or to the lands." Court decisions confirm the fact that the privilege of grazing on public lands cannot become a propriety right against the sovereign and is withdrawable at any time without payment of compensation.

The Interior Solicitor has stated that :

To base the fee on a credit which represents a return on the market value of a grazing permit as though it were an interest in land like a lease, is directly in conflict with section 3 of the Taylor Grazing Act since it would recognize what the law prohibits—a proprietary interest in the public grazing lands. The concept of permit value itself represents an appropriation by the holders of permits of a part of the public's equity in the public lands. In the case of privately owned lands, it is the owner of the land who is realizing the return on his ownership equity, as witnessed by the difference in grazing fees between privately and federally owned lands. To allow the permittees the credit on permit value they contend for, would be to permit the permittee rather than the owner of the land; i.e., the public, to realize the return on the lands' value.

The proposed regulations announced on November 16, 1968, provided 45 days rather than the normal 30, for comment. Nearly 1,400 letters regarding the fee issue were received. By numbers, about 60 percent supported the proposal. All letters received have been answered. In addition to letters from individuals, the Secretary received position statements from the major national and State conservation and livestock groups, State governments and petitions from many organizations.

The proposal was reviewed by the 54 local district advisory boards who in varying degrees were opposed to the new schedule. Following receipt of these recommendations, a special meeting of the Special Grazing Fee Subcommittee of the National Advisory Board Council was held, followed by a full National Advisory Board Council meeting.

After consideration of all the letters and recommendations, the Secretary adopted a final rulemaking on the matter on January 14, 1969. The final rulemaking was essentially as originally proposed. The resulting fee structure is consistent with the requirements of section 3 of the Taylor Grazing Act, which states that permittees:

* * * are entitled to participate in the use of the range, upon the payment annually of reasonable fees in each case to be fixed or determined from time to time, and in fixing the amount of such fees the Secretary of the Interior shall take into account the extent to which such districts yield public benefits over and above those accruing to users of the forage resources for livestock purposes.

The fee is based on the value of the Federal forage received by the public land rancher. Benefits accruing to other public land users are not included, nor are the costs of providing these benefits. In other words, the fees are based upon giving the rancher credit for his cost of using the land.

In reviewing the new grazing fee level, a comparison with private lease rates, commercial values, and other Federal agencies should be made. The Bureau of Land Management data from the 1966 survey indicates that the average private lease rate is \$1.82 per animal unit month. Bids for forage on the McGregor Military Range in New Mexico for the 1969 season varied between a low of \$1.51 and a high of \$2.52 per animal unit month. One of the high bids was submitted by a Bureau of Land Management permittee. Other Federal agencies that use competitive bidding in allotting grazing use result in higher forage values than the \$1.23 base.

The regulations additionally provide that the base fee may be studied periodically to determine if adjustments should be made. Reviews would be undertaken concurrently of the impact of these changes on livestock industry stability, loaning arrangements, collateral values, and the private forage market.

The new regulations provide a means to aid the rancher with flexibility in paying fees. Where an allotment management plan has been approved by the rancher and the Bureau, the rancher may now elect to pay his fees at the end of the grazing season and pay for only the amount of grazing use actually made. This would help the rancher to make adjustments in his operation as climate and market conditions dictate and pay for only what he uses.

A major concern in attaining fair market value for public land forage is that the resulting fee be consistent with the Taylor Grazing Act as to reasonableness and that it should aid in stabilizing the dependent livestock industry.

The impact of the increase will fall, in terms of total grazing fees, in direct proportion to the number of animal unit months grazed. The Bureau of Land Management has 14,419 grazing permittees in the districts; 52 percent of all Bureau of Land Management forage is allotted to only 5 percent or fewer than 700 ranchers. The majority of Bureau of Land Management permittees are located in the intermountain region. The typical family ranch operating on public domain in this area runs about 300 head and about 800 animal unit months. The new fee schedule would increase this operator's annual fee cost from \$264 which he paid in 1968 to \$984 in 10 years.

Approximately 25 percent of the Bureau of Land Management permittees graze fewer than 100 animal unit months annually. The average rancher in this group grazes 12 animal unit months and, therefore, pays the \$10 minimum fee. Under the fee schedule, it would take about 6 years before this group has any increase. The full grazing bill at \$1.23 per animal unit month in 1979 would be about \$15, or a total increase of \$5 for these small operators.

Studies by the Economic Research Service and western universities indicate that at a \$0.33 grazing fee, the grazing fee bill is about 2 percent of an average rancher's total operating costs. When the increase in fees reaches \$1.23, the grazing fee bill would be about 6 percent of total operating costs. Other studies indicate that a 1-cent-per-pound drop in livestock prices has as great an impact on ranch income as increasing grazing fees to \$1.23 per animal unit month.

The fee question has had public review. Litigation is now underway and legislation has been introduced on the subject.

A sustained attempt has been made to keep all concerned informed on the 1966 fee study and its results. The action subsequently taken on the fees reflects a reasoned solution based on a comprehensive study of the facts over a long period of review. The handling of the permit value remains as the central issue throughout.

Livestock grazing is an important use of the public lands in the Bureau of Land Management's programs and to the local communities concerned. A long-term resolution of the fee question would improve the financial aspects of the ranch economy, and strengthen and stabilize livestock use of the public lands.

As indicated by the Secretary's statement of February 18, the Department intends to keep the whole matter under review in the future, taking into account new information and new circumstances, including those developed in the course of judicial proceedings, congressional hearings, and recommendations of the Public Land Law Review Commission.

(The attachment to Mr. Rasmussen's statement follows:)

SUMMARY OF COMBINED AVERAGE PUBLIC COSTS AND PRIVATE COSTS PER ANIMAL UNIT MONTH—1966¹

Itemized cost	Cattle		Sheep	
	Combined public costs	Private costs	Combined public costs	Private costs
1. Lost animals.....	\$0. 60	\$0. 37	\$0. 70	\$0. 65
2. Association.....	.03		.04	
3. Veterinary.....	.11	.13	.11	.11
4. Moving livestock to and from allotments.....	.24	.25	.42	.38
5. Herding.....	.46	.19	1. 33	1. 16
6. Salting and feeding.....	.56	.83	.55	.45
7. Travel to and from allotments.....	.32	.25	.49	.43
8. Water.....	.08	.06	.15	.16
9. Horse.....	.16	.10	.16	.07
10. Fence maintenance.....	.24	.25	.09	.15
11. Water maintenance.....	.19	.15	.11	.09
12. Development depreciation.....	.11	.03	.09	.02
13. Other costs.....	.13	.14	.29	.22
14. Private lease rate.....		1. 79		1. 77
Total costs.....	3. 28	4. 54	4. 53	5. 66
Difference ²		\$1. 26		\$1. 13
Weighted average.....			\$1.23	

¹ Developed from data analysis of the grazing fees technical committee—Nov. 29, 1968.

² These differences weighted by corresponding animal unit months resulted in weighted average of \$1.23.

Note.—The average permit value assigned by permittees for BLM grazing privileges was \$14.41 per animal unit month as determined by the survey.

Mr. BARING. The chairman of the full committee is recognized for questions.

Mr. ASPINALL. Mr. Chairman, I have no questions at this time. I want to hear from Chief Cliff. If Chief Cliff will come up and sit at

one side and these other gentlemen will move over, we can hear from him first.

It so happens that whether we like it or not, this is a dual operation.

**STATEMENT OF EDWARD P. CLIFF, CHIEF, FOREST SERVICE,
U.S. DEPARTMENT OF AGRICULTURE**

Mr. CLIFF. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, the subject of your hearings today is a very important development and a basic issue in the management of public range resources. I am happy to have this opportunity to explain the new grazing fee regulations of the Secretary of Agriculture, and to discuss their effect on national forest grazing permittees.

From the birth of the Forest Service in the Department of Agriculture in 1905, livestock grazing has been a recognized use of the national forests. In his famous letter to the Forest Service on the day of its establishment in USDA, Secretary of Agriculture James Wilson gave Gifford Pinchot our original directives for range management. The Secretary said:

You will see to it that the water, wood, and forage of the reserves are conserved and wisely used * * *. The continued prosperity of the agricultural, lumbering, mining, and livestock interests is directly dependent upon a permanent and accessible supply of water, wood, and forage * * *.

Today, nationwide there are 18,300 grazing permits for 1.4 million head of cattle and 2.3 million sheep on national forest system ranges. This involves over 106 million in 11,670 separate allotments. The regulations you are considering today cover about 15,000 of these permits, for 1.2 million head of cattle and 2.2 million sheep in six western national forest regions.

The Forest Service first charged for the privilege of grazing use on the national forests (then called forest reserves) in 1906. The minimum fees were based on reasonableness, depending on the advantages and location of each reserve. The first regulation also provided for possible fee increases based on markets, transportation, and demand for permits.

In 1931, the method for calculating grazing fees was changed. The change was based on studies of national forest grazing values conducted during the 1920's. Factors such as accessibility, forage quality, water resources, proximity to market, and livestock handling costs were considered. The basic premise of the studies was that private land data on range values, or rental rates on private rangelands, could be used as a basis for determining the value of national forest range.

Until this year national forest grazing fees have been based on the fee structure adopted in 1931. Base fees were established in 1931 and were adjusted annually by formulas expressing the relationship between the previous year's average price for beef cattle or lambs in the Western States and prices in established base periods. The 1931 base fees varied from area to area, depending on the local private range lease rates and other local factors.

Over the years, it became clear that national forest grazing fees were consistently lower than private lease rates on private land having

comparable grazing values. In 1951, the Congress (Independent Offices Appropriation Act of 1952) directed each Federal agency to prescribe fees or charges that are fair and equitable and as uniform as practicable among the agencies. After a 1958 audit report the Comptroller General recommended in 1959 that fair compensation be obtained for use of Federal lands. The Comptroller General also recommended more consistency in grazing fees charged by various Federal agencies, and a joint agency study to arrive at a uniform fees system.

Also in 1959, the Bureau of the Budget issued Circular A-25, pursuant to the 1951 act, cited above, establishing the basic principle that where federally owned resources are leased, a fair market value should be obtained for them.

In 1960, representatives of the Departments of Agriculture, Defense, and Interior formed a task force now known as the Interdepartmental Grazing Fees Committee, to study user charges for livestock grazing on all Federal lands. This committee considered a more uniform approach to fee establishment among various Federal agencies. At the same time, the Bureau of the Budget began a study of charges for the use of all federally owned natural resources, including grazing.

In 1964, the Bureau of the Budget issued the study entitled "Natural Resources User Charges Study." That Study, based upon the guiding principles in Circular A-25, outlined additional guidelines for establishing grazing fees:

1. A uniform basis should be used by all Federal agencies in establishing fees;
2. Fees should be based on the economic value of the use of public lands to the users; and
3. Economic value should be set by an appraisal that will provide a fair return to the Government and equitable treatment to the users.

In 1961 the Forest Service and Bureau of Land Management began their joint program of grazing fee studies. This consisted of: (1) Background studies to explore alternatives for determining grazing values, (2) development of a model for estimating values and fee levels, (3) studies to determine fee impacts, and (4) a reevaluation of Forest Service and BLM fee structures.

The background studies were conducted by the Economic Research Service and several Western State universities. Their purpose was to develop an economic framework for determination of public land grazing values, and they very much enlarged our knowledge of the economics of range livestock production.

Building on the concepts developed by the background studies, we initiated a project with Utah State University to develop a model and computer program to estimate grazing value, establish fee levels, and define fee areas. The Utah State study and model confirmed a basic premise that the economic principles of supply and demand operate in a competitive range market to establish range forage prices, just as they do for products in other markets. Putting this another way, the total costs for using comparable public and private ranges should be equal. If there is a difference, ranchers will try to use the lower cost forage. Therefore, the value of public range forage use for grazing is

equal to the rental value of private pastures leased for grazing, after adjusting for differences in the services provided on private lands but not on public grazing lands.

The Utah State study pointed out that the present fee for national forest range is not free to change in a range market. If the fee is lower than that charged for other ranges, national forest grazing privileges will be in high demand and have to be rationed out. One result is that a variable permit value has evolved for the limited grazing privilege. I will discuss the implications of this permit value as we go on.

After we review the Utah State study results, our next step was a major data collection project. The Statistical Reporting Service of the Department of Agriculture undertook the project for the Forest Service and BLM. The project was designed to provide data necessary to estimate values on some 98 national forests, 19 national grasslands, and 48 Bureau of Land Management grazing districts in the Western States as a basis for evaluating current fee structures. Some 10,000 individuals were interviewed and more than 14,000 questionnaires were collected. These include Forest Service and BLM grazing permittees, and ranchers who lease private grazing lands. Using procedures agreed to by the Forest Service, Bureau of Land Management, Bureau of the Budget, and the livestock industry, SRS gathered data on nonfee costs of using public and private lands, lease rates on private grazing lands, and the market value placed by permittees on grazing permits.

I want to recognize here and commend the way the livestock industry helped SRS and us in carrying out this survey. The industry participated in design of the study. Thousands of ranchers willingly opened their doors and business records to SRS workers. The industry as a whole voiced wide public support for our effort and the approach used. This cooperative spirit is the strong foundation for the significance and value of the total grazing fee study.

We began analysis of the 1966 survey data in 1967. At a meeting with livestock industry representatives in October of 1967 we discussed the preliminary results of our evaluations. This was the first of a series of conferences with the industry and with concerned organizations such as the Secretary of Agriculture's Advisory Committee on Multiple Use of the National Forests, the American Farm Bureau Federation, the National Association of Soil and Water Conservation Districts, and several national conservation organizations. Our intent throughout the study was to keep these groups well informed and to seriously weigh their comments and recommendations.

In the final stages of the fee study program an interagency technical committee was formed to analyze the survey data. Composed of representatives from the Statistical Reporting Service, Economic Research Service, the Forest Service, BLM, and Bureau of the Budget ex officio, this committee developed the following conclusions in a November 1968 report.

1. Forest Service and Bureau of Land Management data can be combined. The survey data does not provide a basis for differential fees between the Forest Service and Bureau of Land Management.

2. The cost data collected in the 1966 western range survey will statistically support only one base fee in the West. This conclusion was

based on a technical analysis of the variation of cost among individual grazing allotments.

3. An adjusted westernwide difference between private lease rates and public costs, excluding the grazing fee, was \$1.23 per animal unit month for both cattle and sheep. (A table showing the breakdown of these costs is attached at the end.)

These conclusions provided the basis for establishing fair market value of grazing on public lands in the West.

The Secretary's January 14, 1969, decision was made following more than 9 years of concentrated studies. Viewpoints from more than 1,000 respondents to the November 14, 1968, proposal, including our grazing advisory boards, were carefully considered. The new regulations call for grazing fees on the national forests in the Western States to be increased from current level to fair market value over a period of 10 years. The regulations reflect a number of policy determinations, and a measure to ease the potential impact of increased fees. I would like to discuss these considerations with you.

But first we need to briefly discuss the matter of a grazing permit and what it provides.

A Forest Service grazing permit grants a privilege to use the national forest land for livestock grazing. It stipulates conditions under which grazing may take place. The privilege granted by the permit is a personal one and applies to the holder alone. Permits are issued for a term of 10 years and are validated annually upon payment of fees. In order to qualify for a Forest Service grazing permit, a rancher must own base property and livestock. Permits cannot be exchanged directly between any two individuals. If a permittee no longer wants to graze livestock upon the national forest, he relinquishes his grazing privilege by waiving his permit back to the Government. An interested second party may apply for the grazing represented by the waived permit if he in fact has purchased either the land or livestock owned by the previous permittee.

Since grazing fees charged by the Forest Service have been less than the market value of the range resource, the prospective permittee usually has been willing to pay a premium to acquire the land or livestock previously associated with the permit. According to the theory behind the model used in analyzing the grazing fees data, as fees are raised from their present levels to fair market value, the value commonly called permit value will be reduced. Theoretically, when fees are at fair market value, the so-called permit value will be reduced to zero.

The livestock industry, in a statement of position of the American National Cattlemen's Association and National Woolgrower's Association, argues that capitalized permit values should be considered a cost to the public land grazers and should be included as a cost in calculating the fair market value of public forage. The result of this would be that the grazing fee would be left essentially unchanged at this time.

We simply do not agree with this. We believe the concepts on which the Secretary's regulations are based are sound and are good public policy. Under these concepts, the Forest Service has historically maintained that livestock grazing on the national forests is a privilege and

not a right. Beginning in 1905, the then Secretary's regulation 10 spoke of grazing as a privilege. Court cases have substantiated the position that grazing is a privilege and not a right and that purported transfers of national forest grazing privileges by permittees are illegal and unenforceable.

We strongly believe that no individual or groups of individuals who use national forest resources to support their livelihood should be allowed to gain a special interest. The national forests are public lands and public resources. Areas used for grazing often serve several other purposes at the same time—such as fish and wildlife habitat, watershed protection, timber production, or outdoor recreation. Demands from all groups and interests for these resource uses and benefits are growing apace. We strongly believe that the best way to meet these demands is to protect the full public interest in the national forest system.

Granting special rights to one class of users will erode the capacity of public lands to serve many purposes. And those ranchers among this class who happen to hold grazing permits represent only a segment of the total livestock industry. One hundred and six million acres of the 187-million acre National Forest System are now included in grazing allotments. If grazers are given rights to forage resources of these areas, other resource users cannot expect a level of benefits equal to that they now provide. Grazing would have to take priority if other resource uses interfered. So the ability of the National Forest System to provide a balanced output of resources and services would be seriously impaired.

In essence we reached agreement with the livestock industry and interested groups on all issues but one in connection with the study. This basic issue turned on how to treat the capitalized permit value.

Recognition of permit value as a cost of grazing on public lands for purposes of calculating fee levels as proposed by the livestock industry would tend very strongly to convert National Forest grazing privileges to grazing rights.

Including the permit value as a deductible cost in the fee calculation would in effect be compensating permittees for: (1) that portion of the value they have paid to private individuals; and (2) that portion of the value that has developed through appreciation over time as the gap between the fee charged and the fair market value widened.

It logically follows from this that permittees could demand compensation for any portion of a grazing permit value that is no longer available to them because of Forest Service resource management actions affecting the size of a permit. If this were done, the net effect would be that the United States would have to reimburse a permittee in order to take steps to protect or develop range and other public National Forest System resources.

We recognize very clearly that the grazing fee regulations and the new fee structure will have some impacts. Our overriding concern has been to sympathetically and responsibly weigh these impacts in deciding how to implement the results of the grazing fee studies and analyses. However, I should also point out that the impacts are a result of value which ranchers have built up among themselves. They have made no payment for the value to the real owner of the resource upon which

it is based. This value has come into existence primarily because the fees which have been paid to the Government for the use of the resource have been less than the fair market value of that use.

Actually, more than half of the present permittees acquired their grazing permits prior to 1950 and have held them at least 20 years. Values placed on permits then were much lower than today, and present values are based on significant appreciation. Also many permittees have in effect amortized out permit values by paying fees over many years which were less than the fair market value.

We have undertaken to minimize the impacts of our grazing fee regulations on permittees and communities.

The increase to the fair market value is not being made all at once. It is being spread out over a 10-year period. This will give the permittees ample opportunity to adjust their operations to the higher fee level.

Within available funds we are striving to increase the input for conservation, development and use of National Forest System ranges especially where economic or social problems exist. This increased activity provides jobs, additional grazing, and better resource conservation and stewardship.

We will continue the longstanding Forest Service practice of issuing no charge grazing permits for noncommercial livestock up to 10 head by resident farmers and ranchers. We recognize the problem of small operators in low-income areas where opportunities for off-ranch incomes are limited. Further consideration will be given to this as a separate matter apart from the overall fee determination.

The questions which underlie the new grazing fee regulations are complex, and reasonable arguments can be made to support the many sides involved. As we see it, the issue is not whether fair market value is being paid for grazing on public lands. It is to whom it is being paid.

Today the value of public forage resources is supporting money returns to selected private individuals. The Government is not being paid fair market value.

The fees increase does not affect the supply of grazing. Permit tenure is not affected and we will keep on issuing grazing permits for the amount of grazing that is available for use by livestock.

Our actions on grazing fees are based on fairness to the many ranchers who cannot obtain the privilege of grazing public lands. They are based on the principle that the American people should receive the full value for the use of resources they all own. We are confident that our information is sound and supports our approach; that the new system is consistent with our basic responsibilities as a public agency.

Mr. CLIFF. Thank you, Mr. Chairman.

Mr. BARING. Thank you, Mr. Cliff.

Mr. Aspinall, the chairman of the full committee.

Mr. ASPINALL. Mr. Chairman, I ask unanimous consent that the regulations of January 14, 1969, as issued by the Department of Agriculture and the Department of the Interior for increase in fees be made a part of the record at this point.

Mr. BARING. Without objection, it is so ordered.

Mr. SAYLOR. Was that not requested this morning?

Mr. ASPINALL. No, I requested the release this morning.

TITLE 43—PUBLIC LAND, INTERIOR

Chapter II—Bureau of Land Management, Department of the Interior

SUBCHAPTER D—RANGE MANAGEMENT (4000)

[Circular 2255]

PART 4110—GRAZING ADMINISTRATION (INSIDE GRAZING DISTRICTS) (THE FEDERAL RANGE CODE FOR GRAZING DISTRICTS)

Grazing regulations for public lands

On November 16, 1968, there was published in the FEDERAL REGISTER, as proposed rule making, the text of amendments and revisions to the regulations governing grazing on public lands within officially designated grazing districts. The notice provided opportunity for public comment until December 31, 1968.

The comments received were numerous and varied. After extensive consideration, which included public meetings and review by the various advisory boards, the regulations, modified as set forth below, are hereby adopted to become effective upon publication of this notice in the FEDERAL REGISTER.

One of the purposes of this change is to authorize the determination of grazing fees which reflect fair market value as a range forage pricing objective based upon an appraisal of operating costs which considers comparability between Federal and private grazing lands. Such an appraisal has been accomplished in the form of the Western Livestock Grazing Survey of 1966. In order to minimize the impact on the livestock industry, a primary schedule is established to reach fair market value in 10 annual incremental steps at \$0.09 per AUM per year. Federal receipts from grazing will be less than fair market value during this period.

The change provides that the Secretary may adjust the fees annually in order to maintain the comparability between public and private lease rates through the annual application of a forage value index which establishes the rate of increase or decrease occurring in private lease rates for similar type range lands.

The resulting fee formula charges the public land users only for the value of the public forage grazed.

The change additionally provides that the base fee may be studied periodically to determine if adjustments should be made. Reviews will be undertaken concurrently of the impact of these changes on livestock industry stability, loaning arrangements, collateral values and the private forage market.

The Department is mindful of the Public Land Law Review Commission's efforts and looks forward to its recommendations. Grazing fees may be fixed from time to time. At the appropriate time, after assessment of the aforementioned reviews and the Public Land Law Review Commission's reports, further consideration will be given to the grazing fee structure to assure its reasonableness.

This change also provides for the simplification of administrative procedures to allow flexibility in livestock operations when operating under an approved allotment management plan. Flexibility is necessary where intensive management is being practiced to allow livestock operators to adjust to changing climatic and forage conditions. Grazing fees based on the actual forage consumed will reflect a more equitable payment.

1. New paragraphs (s) and (t) are added to § 4110.0-5 as follows:

§ 4110.0-5 Definitions.

* * * * *

(s) "Allotment management plan" means a program of action designed to reach specific management goals.

(t) "Grazing system" means a specific sequence of livestock grazing by designated area to accomplish management objectives.

2. In § 4115.2-1, the introductory portion of paragraph (g) and the entire paragraph (k) are amended to read as follows:

§ 4115.2-1 License and permit procedures; requirements and conditions.

* * * * *

(g) *Change in grazing season.* Any licensee or permittee who desires to use the Federal range for a period or periods other than as authorized by his license, permit, or approved allotment management plan, may, upon a written approval

of the District Manager, be allowed to use the amount of his authorized grazing privileges during any period of time for which the Federal range is classified as proper for use, provided:

* * * * *

(k) *Fees, payments and refunds*—(1) *Fees.* (i) Fees will be charged for the grazing of all livestock on public lands at a rate per animal unit month, except that no fee will be charged for a free-use license. Fees for any fee year, consisting of a grazing fee for use of the range and a range improvement fee, will be published as a notice in the Federal Register.

(ii) Fees will be established by the Secretary in 10 equal annual increments to attain the fair market value of range forage at the 1978 fee year. Fair market value is that value established by the Western Livestock Grazing Survey of 1966 or as determined by a similar study which may be conducted periodically to update the fee base, if deemed necessary. In addition, annual adjustments may be made for any of the 1969–78 fee years, and thereafter, to reflect current market values.

(iii) A minimum annual charge of \$10 will be made on all regular licenses, permits, nonrenewable licenses, and crossing permits, except as specified in subdivision (vi) of this subparagraph.

(iv) Range improvement fees may vary in accordance with the character or requirements of the various districts or portions thereof. Grazing fees may differ in any district or unit thereof in which the grazing capacity of the Federal range is increased by reason of the addition of land not owned by the United States, or by reason of a cooperative agreement or memorandum of understanding between the Bureau of Land Management and any State or Federal agency, or any person, association, corporation, or otherwise.

(v) All livestock 6 months of age or over allowed on the Federal range will be considered at any point of time during the grazing period as a part of the total number for which a license or permit has been issued, or for which an allotment management plan has been approved. No fees will be charged for livestock under 6 months of age.

(vi) Upon application filed with the District Manager, by any person showing the necessity for crossing the Federal range with livestock for proper and lawful purposes, a crossing permit may be issued. Charges are payable in advance at the same rate charged for regular grazing use, except that no fee will be charged where the trail to be used is so limited and defined that no substantial amount of forage will be consumed in transit.

(2) *Payment of fees.* (i) No regular license or permit shall be issued or renewed until payment of all fees due the United States under these regulations have been made. Grazing privileges may be canceled or reduced, in accordance with paragraph (d) of this section, for failure to pay the required fees. Fees for regular licenses and permits are due the United States upon issuance of a fee notice and are payable in full in advance before grazing use is authorized; except that where grazing is authorized on the basis of an approved allotment management plan, which includes grazing system requirements necessary to assure proper management of the public land and its resources, the District Manager may either:

(a) Issue a fee notice upon termination of the grazing period authorized. The fee notice will reflect the actual grazing use made and will be payable within 30 days of the date of issuance, or

(b) Issue a fee notice on the basis of the normal operation detailed in the allotment management plan. Such fees are due the United States upon issuance and are payable in full in advance before grazing use is authorized. At the conclusion of the authorized grazing period the actual grazing use will be determined. A supplemental billing reflecting additional use must be paid within 30 days of issuance. A refund or credit may be made toward the following year's fees for use less than the normal operation. Ordinarily, no adjustment will be made when the amount is under \$5.

(ii) Any licensee or permittee who desires a change in grazing use authorized pursuant to any of the provisions of this section must file, in advance, a written request for such change, except when in conformance with an approved allotment management plan. Upon approval of change, an adjusted billing notice will be issued.

(3) *Refunds.* No refund will be made for failure to use all grazing privileges represented by a license or permit, except that:

(i) During periods of range depletion due to severe drought or other natural causes, or in case of a general epidemic of disease during the life of a regular license or permit, fees due may be reduced in whole or in part, credited or refunded; or fee payment may be postponed for such periods so long as the emergency exists.

DAVID S. BLACK,
Under Secretary of the Interior.

JANUARY 10, 1969.

[F.R. Doc. 69-526; Filed, Jan. 13, 1969; 9:10 a.m.]

Title 36—Parks, Forests, and Memorials

Chapter II—Forest Service, Department of Agriculture

PART 231—GRAZING

GRAZING FEES

Part 231 of Title 36, Code of Federal Regulations, as revised in the **FEDERAL REGISTER**, volume 33, No. 56, page 4802, dated March 21, 1968, is further revised as follows:

Section 231.5, *Grazing fees*, is revised to read as follows:

§ 231.5 Fees, payments, and refunds or credits.

(a) *Fees.* (1) Fees will be charged for all livestock grazing upon or crossing National Forest System lands or other lands under Forest Service control except such livestock as may be grazed free of charge under paragraph (b) (6) and (7) of § 231.3. Such fees will be based on general governmental policy as established by Bureau of the Budget Circular A-25 of September 23, 1959, which directs that a fair market value be obtained for all services and resources provided the public through establishment of a system of reasonable fee charges, and that the users be afforded equitable treatment. This policy precludes a monetary consideration in the fee structure for any permit value that may be capitalized into the permit holders' private ranching operations.

(2) Fair market value is defined as the difference between total costs of operating on private leased grazing lands and total nonfee costs of operating on National Forest System lands. These costs include lost animals, veterinary services, moving livestock to and from permitted areas, herding, salt and feeding, travel to and from permitted areas, water, horses, fence and water maintenance, development depreciation, and other miscellaneous costs. In addition the private costs include the private lease rates.

(3) A base fee of \$1.23 per cow month for the National Forests in the six Western Forest Service Regions is derived from the comprehensive survey conducted by the Department of Agriculture's Statistical Reporting Service in 1966. This 1966 base of \$1.23 is a sliding base adjusted annually against an index of private land grazing lease rates as determined by the Economic Research Service for the year preceding the fee year (Annual Forage Value Index). If significant differences in fair market values are determined to exist for various geographical areas or because of differences in the quality of the range environment, these differences will be incorporated into the basic fee structure for National Forest System lands. Fair market value base rates will be developed through similar studies for other National Forests, the National Grasslands, and Land Utilization Projects. Current base rates and procedures will apply for these lands until new base rates are established.

(4) Conversion to the 1966 base rates for the Western National Forests will be carried out during a 10-year period beginning in 1969. The difference between the fees paid in 1966 and the 1966 base rate of \$1.23 will be made in installments of 10 percent per year for a 10-year period. Increases or decreases in the base rate because of changes in the index of private land grazing leases will be made annually. Changes derived from this index between 1966 and 1968 increase the base by \$0.02 to \$1.25 per cow month in 1969. Fees which have previously been established through appraisals and are currently above the 1966 base rate will

be reduced to \$1.25 per cow month in 1969. Fees which have been established by competitive bid will remain unchanged during the period specified in the bid.

(5) The fair market value is based on one (1) animal month of grazing by a mature cow. Five (5) sheep are considered as equivalent to one cow.

(6) No charge will be made for animals under 6 months of age at the time of entering National Forest System lands and other lands under Forest Service control which are the natural increase of the livestock upon which fees are paid or for those born during the season for which the permit is allowed: *Provided*, That the full fee may be charged for all weaned calves and colts regardless of age and for such animals as will become 12 months of age during the permitted period of use.

(7) No additional charge will be made for the privilege of lambing upon National Forest System lands or other lands under Forest Service control.

(8) Pack and saddle animals may be charged for at a special rate, and a minimum permit charge established for such use.

(9) The fees for crossing privileges will conform with the rates established for other livestock under paid permit. Where practicable, crossing fees for permitted livestock will be covered in the regular grazing fee and the crossing period covered in the regular grazing period.

(b) *Payments.* (1) Grazing fees are payable in advance of the opening date of the grazing period unless otherwise authorized by the Chief, Forest Service.

(2) Crossing fees are payable in advance of the livestock entering National Forest System lands or other lands under Forest Service control.

(c) *Refunds or credits.* (1) Refunds or credits may be allowed under justifiable conditions and circumstances as the Chief, Forest Service, may specify.

(Sec. 1, 30 Stat. 35, as amended, sec. 1, 33 Stat. 628; 16 U.S.C. 551, 472; sec. 32, 50 Stat. 525, as amended; 7 U.S.C. 1011)

Effective date. This revision shall become effective on the date of its publication in the FEDERAL REGISTER.

ORVILLE L. FREEMAN,
Secretary of Agriculture.

JANUARY 10, 1969.

[F.R. Doc. 69-524; Filed, Jan. 13, 1969; 8:49 a.m.]

TITLE 36—PARKS, FORESTS, AND MEMORIALS

Chapter II—Forest Service, Department of Agriculture

PART 231—GRAZING

Part 231 of Title 36, Code of Federal Regulations, is revised to read as follows:

- Sec.
- 231.1 Range resource development and administration.
 - 231.2 Management of the range environment.
 - 231.3 Grazing permits and grazing agreements.
 - 231.5 Grazing fees.
 - 231.6 Revocation and suspension of grazing permits.
 - 231.7 Cooperation in management.
 - 231.8 Cooperation in control of estray or unbranded livestock, animal diseases, noxious farm weeds, and use of pesticides.
 - 231.9 Range improvements.
 - 231.10 Livestock advisory boards.

AUTHORITY: The provisions of this Part 231 issued under sec. 1, 30 Stat. 35, as amended, sec. 1, 33 Stat. 628; 16 U.S.C. 551, 472; sec. 32, 50 Stat. 525, as amended; 7 U.S.C. 1011, unless otherwise noted.

§ 231.1 Range resource development and administration.

(a) *Authority.* The Chief, Forest Service, is authorized to develop, administer and protect the range resources, and permit and regulate the grazing use of all kinds and classes of livestock on all National Forest System lands and on other lands under Forest Service control.

(b) *Definitions.* (1) "National Forest System lands," as used in this part, are the National Forests, National Grasslands, and other Federal lands for which the Forest Service has administrative jurisdiction.

(2) "Other lands under Forest Service control," as used in this part, are those other public and private lands for which the Forest Service has been given control of use through lease, agreement, waiver, or otherwise.

(3) Livestock as used in this part includes all domestic livestock raised for food and other animal products and all animals used for work or to provide transportation services.

§ 231.2 Management of the range environment.

(a) Range allotments will be designated on National Forest System lands and on other lands under Forest Service control. Associated private and other public lands should be included in such range allotments to form logical range management units.

(b) Each range allotment will be periodically analyzed and a plan of management developed and implemented which will provide for conservation, development and utilization of the range environment for livestock grazing in coordination with other resource needs and uses.

§ 231.3 Grazing permits and grazing agreements.

(a) Unless otherwise specified by the Chief, Forest Service, all livestock use on National Forest System lands and on other lands under Forest Service control shall be authorized by grazing permit or grazing agreement.

(b) A grazing permit or grazing agreement conveys no right, title, or interest of the United States in any lands or resource use authorized thereunder and is a privilege for the exclusive benefit of the person or organization to whom a permit is issued or with whom a grazing agreement is entered into.

(c) The regulations of the Secretary of Agriculture relating to the protection, administration, and development of the range resources are a part of each grazing permit and grazing agreement.

(d) Grazing permits and grazing agreements authorizing livestock use on National Forest System lands and on other lands under Forest Service control shall be as follows:

(1) Paid term permits may be issued for periods of ten years or less to persons who own the livestock to be grazed and such base ranch property as the Chief, Forest Service, may require. They may also be issued in connection with changes of ownership of the base ranch property or the permitted livestock of term permittees. Term permits are renewable at the end of each term period provided the provisions and requirements under which they are issued continue to be met and as long as it is in the public interest to renew them. The term permit gives its holder first priority for its renewal at the expiration of the term permit period. The Chief, Forest Service, shall prescribe the provisions and requirements under which term permits may be issued, renewed and administered, including:

- (i) Eligibility criteria;
- (ii) Base ranch property and livestock ownership;
- (iii) Commensurability requirements;
- (iv) Provisions and requirements under which term permits may be issued through acquisition by purchase, inheritance or otherwise of the base ranch property or the permitted livestock of term permittees;
- (v) Conditions for the approval of nonuse of permit for specified periods;
- (vi) Upper limits governing size of permit which may be held by any person, firm or corporation.

(2) Paid temporary permits may be issued on an annual basis to persons under such provisions and requirements as the Chief, Forest Service, shall prescribe.

(3) Paid term or temporary permits with a specific on-and-off provision may be issued to persons owning livestock which will graze on range only part of which is National Forest System lands and on other lands under Forest Service control.

(4) Paid commercial transportation livestock permits may be issued, under such provisions and requirements as the Chief, Forest Service, shall prescribe, to persons who are engaged in commercial packing, dude ranching, or other commercial enterprises which involve transportation livestock use.

(5) Private land permits may be issued, free of charge, to persons who control grazing lands adjacent to National Forest System lands and who waive exclusive use of these lands to the Forest Service for the full calendar year.

(6) Free permits may be issued to:

(i) Persons who reside on ranch or agricultural lands within or contiguous to National Forest System lands for not to exceed 10 head of milk cows or other animals owned or kept for domestic purposes and whose products are consumed or whose services are used directly by the family of the resident, and there is a distinct need for National Forest System lands to support such animals.

(ii) Persons issued grazing permits or entering into grazing agreements for the number of animals needed to manage the livestock authorized to graze, and there is a distinct need for National Forest System lands to support such animals.

(iii) Prospectors, campers, and travelers for the few head of livestock actually used during the period of occupancy.

(iv) Others as may be authorized by the Chief, Forest Service.

(7) Paid or free crossing permits may be issued to persons to trail livestock under such requirements and provisions as the Chief, Forest Service shall prescribe.

(8) Grazing agreements may be entered into with cooperative grazing associations or similar organizations incorporated or otherwise established pursuant to State law. Such an agreement will make National Forest System lands and improvements available to the association for grazing purposes for periods of 10 years or less, subject to such provisions and requirements as the Chief Forest Service, shall prescribe. The association may allocate and administer the available grazing use in accordance with the provisions of the grazing agreement and Forest Service policies.

(e) Any person authorized by a grazing permit or grazing agreement to use National Forest System lands and other lands under Forest Service control shall protect the land and property of the United States and shall pay the United States for any damage to its land or property resulting from negligence or from violation of the provisions and requirements of the grazing permit or grazing agreement or any law or regulation applicable to the National Forest or National Grassland by such person, by his agents and employees when acting within the scope of their employment, or by his contractors or subcontractors.

(f) Any person authorized by a grazing permit or grazing agreement to use National Forest System lands and other lands under Forest Service control may at any time be required to give good and sufficient bond to insure payment for all damages sustained by the United States through that person's failure to comply with the provisions and requirements of the grazing permit or the grazing agreement or any law or regulation applicable to the National Forests or the National Grasslands.

§ 231.5 Grazing fees.

(a) A fee as determined by the Chief, Forest Service, shall be charged for the grazing or crossing of all livestock on National Forest System lands and on other lands under Forest Service control except as otherwise authorized by the Secretary of Agriculture.

(b) No charge shall be made for animals under 6 months of age at the time of entering National Forest System lands and other lands under Forest Service control which are the natural increase of the livestock upon which fees are paid or for those born during the season for which the permit is allowed; providing that the full fee may be charged for all weaned calves and colts regardless of age and for such animals as will become 12 months of age during the season for which the permit is allowed.

(c) All grazing fees are payable in advance of the opening date of the grazing period unless otherwise authorized by the Chief, Forest Service. Crossing fees are payable in advance of entering National Forest System lands and on other lands under Forest Service control.

(d) Refunds or credits may be allowed under such justifiable circumstances as the Chief, Forest Service, may specify.

§ 231.6 Revocation and Suspension of Grazing Permits.

The Chief, Forest Service, is authorized to revoke or suspend term grazing permits in whole or in part on all National Forest System lands and on other lands under Forest Service control:

(a) For failure to comply with any of the provisions and requirements in the grazing permit; any of the regulations of the Secretary of Agriculture on which the permit is based; or, the instructions of Forest officers issued thereunder; and,

(b) For knowingly and willfully making a false statement or representation in the permittee's grazing application, and amendments thereto.

§ 231.7 Cooperation in management.

(a) *Cooperation with local livestock associations*—(1) *Authority*. The Chief Forest Service, is authorized to recognize, cooperate with, and assist local livestock associations organized primarily to manage the livestock and range resources on a single range allotment or associated groups of allotments on which the members' livestock are permitted to graze.

(2) *Purposes*. These associations will provide the means for the members to:

(i) Manage their permitted livestock and the range resources.

(ii) Meet jointly with Forest officers to discuss and formulate programs for management of their livestock and the range resources.

(iii) Express their wishes through their designated officers or committees.

(iv) Share costs for handling of livestock, construction and maintenance of range improvements, or other greed upon programs deemed needed for proper management of the permitted livestock and range resources.

(v) Formulate association special rules needed to ensure proper resource management.

(3) *Requirements for recognition*. The requirements for receiving recognition by the Forest Supervisor are:

(i) The members of the association must constitute a majority of the grazing permittees on the range allotment or allotments involved.

(ii) The officers of the association must be elected by a majority of the association members or of a quorum as specified by the association's constitution and bylaws.

(iii) The officers other than the Secretary and Treasurer must be grazing permittees on the range allotment or allotments involved.

(iv) The association's activities must be governed by a constitution and bylaws acceptable to the Forest Supervisor, and approved by him.

(4) *Withdrawing recognition*. The Forest Supervisor may withdraw his recognition of the association whenever:

(i) The majority of the grazing permittees request that the association be dissolved.

(ii) The association becomes inactive, and does not meet in annual or special meetings during a consecutive 2-year period.

(b) *Cooperation with national, State, and county livestock organizations*. The policies and programs of national, State, and county livestock organizations give direction to, and reflect in, the practices of their members. Good working relationships with these groups is conducive to the betterment of range management on both public and private lands. The Chief, Forest Service, should endeavor to establish and maintain close working relationships with national livestock organizations who have an interest in the administration of National Forest System lands, and direct Forest officers to work cooperatively with State and county livestock organizations with similar interests.

(c) *Interagency cooperation*. The Chief, Forest Service, will cooperate with other Federal agencies which have interest in improvement of range management on public and private lands.

(d) *Cooperation with others*. The Chief, Forest Service, will cooperate with other agencies, institutions, organizations, and individuals who have interest in improvement of range management on public and private lands.

§ 231.8 Cooperation in control of estray or unbranded livestock, animal diseases, noxious farm weeds, and use of pesticides.

(a) Insofar as it involves National Forest System lands and other lands under Forest Service control or the livestock which graze thereupon, the Chief, Forest Service, will cooperate with:

(1) State, county, and Federal agencies in the enforcement of all laws and regulations relating to livestock diseases and sanitation;

(2) The Agricultural Research Service and other Federal and/or State agencies and institutions in surveillance of pesticide spray programs; and

(3) State cattle and sheep sanitary boards in control of estray and unbranded livestock.

(b) The Chief, Forest Service, will cooperate with county or other local weed control districts in analyzing noxious farm weed problems and developing control programs in areas of which the National Forests and National Grasslands are a part.

§ 231.9 Range improvements.

(a) Structural and nonstructural range improvements needed to manage, protect or develop the range resource on National Forest System lands and other lands controlled by the Forest Service will be installed and maintained when authorized.

(b) Such improvement may be installed and maintained by individuals, organizations or agencies other than the Forest Service subject to the following:

(1) All improvements must be authorized by special use permit or cooperative agreement.

(2) Title to structural improvements removable without damage to the resources, such as troughs, cattleguards, etc. may be retained by the cooperator or permittee: *Provided*, That title shall vest in the United States where a part of the construction cost for any improvement is borne by the Government.

(3) Title to nonstructural and nonremovable structural improvements such as trails, driveways, earth dams, etc., or those which cannot be removed without damage to resources shall vest in the United States.

(4) Range improvement work performed by a cooperator or permittee on National Forest System lands shall not confer the exclusive right to use the improvement or the land influenced.

(c) A user of the range resource on National Forest System lands and other lands under Forest Service control may be required by the Chief, Forest Service, to maintain improvements used with his grazing privilege in a satisfactory state of repair.

(d) Grazing fees shall not be adjusted to compensate permittees for range improvement work performed on National Forest System lands: *Provided*, That, in accordance with section 32(c), Title III, Bankhead-Jones Farm Tenant Act, the cost to grazing users in complying with requirements of a grazing permit or agreement may be considered in determining the annual grazing fee on National Grasslands if it has not been used in establishing the grazing base value.

(Sec. 12, 64 Stat. 85; 16 U.S.C. 580h)

§ 231.10 Livestock advisory boards.

(a) *Establishment of advisory boards.* To provide National Forest System grazing permittees a means for expressing their recommendations concerning the management and administration of National Forest System grazing lands, an advisory board shall be constituted and elected as provided in this section for each National Forest, National Grassland, or administrative subdivision thereof whenever a majority of the grazing permittees of such National Forest, National Grassland, or administrative subdivision thereof so petitions the Forest Supervisor.

(b) *Membership of advisory boards.* Each advisory board constituted and elected as provided in this section shall consist of not less than three (3) nor more than twelve (12) members, who shall be National Forest System grazing permittees in the area for which such board is constituted and elected. In addition, the State Game Commission, or the corresponding public body of the State in which the advisory board is located, may appoint a wildlife representative as a member of the board to advise on wildlife problems. The wildlife representative so appointed shall not be a voting member of the board.

(c) *Constituting and electing advisory boards.* (1) Upon being petitioned the Forest Supervisor shall determine whether the permittees have met the following requirements:

(i) The area for which the board is to be constituted and elected is a National Forest, National Grassland, or administrative subdivision thereof.

(ii) The permittees petitioning for an advisory board are a majority of the grazing permittees in the area for which the board is to be established.

(iii) The membership of the board is to consist of not less than three (3) nor more than twelve (12) members, exclusive of the nonvoting wildlife representative.

(iv) The manner in which the members of the board are to be nominated and elected, if such manner is proposed by the petitioning permittees, will effect an equitable representation of all grazing permittees in the area for which the board is to be established.

(2) If the Forest Supervisor determines that any of the requirements in subparagraph (1) of this paragraph have not been met, he will so notify the pe-

tioning permittees. If the requirements in subparagraph (1) of this paragraph have been met, the Forest Supervisor will notify the grazing permittees in the area for which the board is to be established that their petition is approved.

(3) The Forest Supervisor shall prescribe the manner in which the members of the board are to be nominated and elected: *Provided*, That such manner will effect an equitable representation of all grazing permittees in the area for which the board is to be established and that all grazing permittees in such area shall be eligible to vote in the election.

(4) The Forest Supervisor shall determine and announce the results of the election of the members of the board and shall recognize the duly elected board as representing the National Forest System grazing permittees in the area for which it is established.

(5) A duly recognized advisory board shall, with the concurrence of a majority of the grazing permittees and the Forest Supervisor, adopt a constitution and/or bylaws to govern the conduct of its proceedings: *Provided*, That the board, with a quorum present, shall meet at least once annually at a time to be fixed by the board, and at such other time or times as its members may determine, or on the call of the chairman or the Forest Supervisor or his designee.

(6) An advisory board may consider the complaints and appeals of the grazing permittee for the area it represents and may make recommendations thereon: *Provided*, That an appeal taken under this paragraph shall not be construed as a waiver of any right to an appeal pursuant to §§ 211.20 to 211.37 of this chapter.

(d) *Termination of advisory boards.* The Forest Supervisor may withdraw his recognition of any advisory board whenever:

(1) A majority of the permittees for the area the board represents requests that the board be dissolved.

(2) The board becomes inactive and does not meet at least once annually during a consecutive 2-year period.

(e) *Reconstitution of boards established under previous authority.* Any advisory board established pursuant to § 231.7 (16 F.R. 12620, Dec. 14, 1951, as amended at 17 F.R. 3654, Apr. 24, 1952) may be recognized by the Forest Supervisor as an advisory board under this section if it can be shown to the satisfaction of the Forest Supervisor that:

(1) The board represents a majority of the grazing permittees on the area for which the board was established.

(2) The board consists of not less than three (3) nor more than twelve (12) members who are National Forest System grazing permittees in the area which the board represents.

(3) The board gives the State Game Commission, or the corresponding public body of the State in which the board is located, the opportunity to appoint a wildlife representative as a nonvoting member of the board.

(4) The board members equitably represent all National Forest System grazing permittees in the area for which the board was established.

(5) The board is not prevented or limited by its constitution and/or bylaws, if any, from complying with the provisions and the purposes of this part. Within 5 years from the date of promulgation of this part, advisory boards established pursuant to § 231.7 (16 F.R. 12620, Dec. 14, 1951, as amended at 17 F.R. 3654, Apr. 24, 1952) shall be reconstituted as provided in this section: *Provided*, That pending reconstitution such advisory board shall be subject to and continued under the provisions of § 231.7 existing prior to the date of promulgation of this part.

(Sec. 18, 64 Stat. 87; 16 U.S.C. 580k)

Done at Washington, D.C., this day of March 1968.

JOHN A. BAKER,
Assistant Secretary of Agriculture.

[F.R. Doc. 68-3447; Filed, Mar. 20, 1968; 8:49 a.m.]

Mr. ASPINALL. I have two questions for you, Mr. Secretary. They have to do, as I understand it, with my inability to interpret the meaning of your statement in two places.

In your second paragraph you have the following: "Land users are now receiving their grazing billings at this increased rate." I understand that.

My understanding is that this is within 1 cent per AUM of what most stockmen interested in the issue believe is "reasonable."

Do you mean that for just the year 1969?

Mr. TRAIN. Yes, that is my understanding of their opinion.

Mr. ASPINALL. Was that your statement, that it was only for 1969, your reference to that 1 cent per animal unit month differential is for the year 1969 only?

Mr. TRAIN. Yes, sir.

Mr. ASPINALL (reading).

However, this represents the total increase they are willing to accept as compared to \$1.23. The major concern relates to the handling of the "permit value."

Is this your understanding? Have you been told by industry representatives that in the next 9 years they are not going to assume some other increases if they are found to be feasible and fair and equitable?

Mr. TRAIN. That statement was based, Mr. Chairman, upon the statement of the National Advisory Board Council in the minutes of its Special Committee on Grazing Fees. The minutes of its meeting held in December, show this position was taken.

Mr. ASPINALL. But this refers to their present reaction to the regulations of January 14, 1969. Is that not all it refers to, that they take issue with the 10-year period?

Mr. TRAIN. I think that is correct, sir.

Mr. ASPINALL. I just wanted to be sure that we understood.

Mr. TRAIN. Yes.

Mr. ASPINALL. What is the meaning—I want to be sure that I understand the meaning of the paragraph appearing at the top of page 2. You state:

Because the scheduled increase in grazing fees has been implemented does not mean that the subject is closed forever.

I want to be sure that I understand once again the position of the Department of the Interior. Does this mean that it is still open?

Mr. TRAIN. It means this, sir, that the schedule as set forth in the regulations of January 14th is in effect. The Department will continue to review the grazing fee situation based upon all the information that comes to it, some of which I specified in my statement. And should the Department at any time in the future reach the conclusion, based upon this other evidence, that some increase in unwarranted or some portion of it is unwarranted, the Department would be in a position to change the schedule. But absent any action by the Department, this schedule would remain in effect.

Mr. ASPINALL. Now, Chief Cliff and Director Rasmussen—Chief Cliff can answer for us, if you will, please.

Did the Federal agencies notify the Chairman of the House Interior and Insular Affairs Committee of all of the 15 separate cost items which were included in the 1966 Western Livestock Grazing Survey before the study was actually conducted?

Mr. CLIFF. The Chairman was furnished copies of our study reports, which I think speak for themselves, Mr. Chairman. The 15 items

were all evaluated. They were all included in the study, the purpose of including the cost of permit values was to get an appraisal of just what values the stockmen themselves and the lending institutions were placing on these grazing permits.

Mr. ASPINALL. It is just a yes or no answer; that is all it takes.

Would the material also include copies of the final questionnaire—they did, did they not?

Mr. CLIFF. I am quite sure it did.

Mr. ASPINALL. Is this right, Mr. Rasmussen, as far as your department is concerned?

Mr. RASMUSSEN. I am not sure what the question was, Mr. Chairman.

Mr. ASPINALL. The question was, did the Federal agencies notify the Chairman and the Members of the House Interior and Insular Affairs Committee of all of the 15 separate cost items which were included in the 1966 Western Livestock Grazing Survey before the study was actually conducted?

Mr. RASMUSSEN. Before the study was conducted?

Mr. ASPINALL. Yes.

Mr. RASMUSSEN. I would have to check the files.

Mr. ASPINALL. The answer is yes.

Now, the No. 2 question: What were the Federal agencies seeking to do or accomplish by conducting the comprehensive Western Livestock Grazing Survey?

Mr. Cliff?

Mr. CLIFF. We were trying to get information on what the value of grazing on public lands actually is in comparison with grazing on similar private lands.

Mr. ASPINALL. You were trying to obtain reasonable estimates on private as opposed to public land grazing costs, including the value of grazing permits at that time, were you not?

Mr. CLIFF. That is correct.

Mr. ASPINALL. Is that right, Mr. Rasmussen?

Mr. RASMUSSEN. The dollar value of the permit—

Mr. ASPINALL. No, no. What were the Federal agencies trying to do?

Mr. RASMUSSEN. Trying to determine the cost of grazing on public lands in comparison with similar private land grazing costs.

Mr. ASPINALL. That is why I asked Mr. Cliff. That is your answer, too?

Mr. RASMUSSEN. Yes, sir.

Mr. ASPINALL. At what point did you, Chief Cliff—whom we affectionally call "Ed" and we like to do this—at what point did the Federal agencies include the capitalized dollar market value of the grazing permit as a cost of doing business?

Mr. CLIFF. There has been a lot of disagreement on this point, or misunderstanding of this point, Mr. Chairman. We never did agree that we would consider the cost of the capitalized permit value as a cost which would be used in calculating grazing fees.

Mr. ASPINALL. No, I do not object to that answer at all, but you did include it as one of the 15 factors?

Mr. CLIFF. Yes, sir, and we did that in order to get an evaluation of just what value was being placed on these permits.

Mr. ASPINALL. Is this correct, that late in the summer of 1967 was the first time that industry had any indication that you were going to exclude this permit value?

Mr. CLIFF. Well, I cannot speak for industry, but as far as the Forest Service is concerned, we never did agree to include it or exclude it until we got all the data together and started evaluating it.

Mr. ASPINALL. One of the wonderful assets of your agency of Government, Mr. Cliff, has been your ability to keep on good terms with the industry, making no difference whether it was graziers or water users or miners or timberers, or whatever it was. What I am saying, what I am trying to show here is that they were led to believe, because this question was one of the factors in the questionnaire, that there was a possibility that they were going to receive some consideration. You can say that you received a consideration, but it is true that it was after the study was conducted and the results were known before you eliminated this cost of doing business as a factor in the determination of grazing fees. Is that not correct?

Mr. CLIFF. It was after the facts were all in and we evaluated these facts, when we made the decision that we should not include this as a cost of doing business in computing the grazing fees.

Mr. ASPINALL. All right.

Mr. RASMUSSEN, your answer is the same, is it not?

Mr. RASMUSSEN. The same.

Mr. ASPINALL. All right, here comes the \$64 question: What legal authority did the agencies use in leaving out the capitalized dollar market value of the grazing permit as a cost of doing business?

Mr. CLIFF. I might answer that, Mr. Chairman, by asking what legal authority we would have to include it.

Mr. ASPINALL. I mean what statutory right did they have? That is what I mean by legal authority.

Mr. CLIFF. The Department of Agriculture, has statutory right to establish grazing fees, using the reasonable criterion. They have been doing this. It is based on the basic Act of 1897. The right to do this under the law has been substantiated by the courts.

Now, I know of no law that tells what factors have to be taken into account.

Mr. ASPINALL. We shall get to the next question next.

The Bureau of Land Management has the same answer, that they did it under the general authority that was in the Taylor Grazing Act and amendments—is that right, Mr. Rasmussen?

Mr. RASMUSSEN. This is correct.

Mr. ASPINALL. At what point, Mr. Cliff, was the Solicitor's opinion requested in the Department of Agriculture?

Mr. CLIFF. I do not recall requesting the Solicitor's opinion at all in the Department of Agriculture.

Mr. ASPINALL. Is there any Solicitor's opinion entered in Agriculture on this subject?

Mr. CLIFF. Well, we have had informal advice from time to time from the Solicitor on what our authorities and responsibilities are. I do not know of any written opinion on this subject.

Mr. ASPINALL. There is no formal written opinion?

Mr. CLIFF. Well, in the course of litigation that has gone on in the

past, there is ample expression of opinion on the authority to set grazing fees.

Mr. ASPINALL. Will you furnish for me, if you have them, the Solicitor's opinion or the Solicitor's notes to the effect that the permit value is not to be considered? That is all I ask you. If you do not have it, you do not have to furnish it. If you do have it, furnish it and we will make it a part of the record at this place, if the Committee is agreeable.

Mr. CLIFF. We do not have a Solicitor's opinion on that point, sir.

Mr. ASPINALL. Mr. Rasmussen, do you have any Solicitor's opinion on this point?

Mr. RASMUSSEN. No, we do not have a formal Solicitor's opinion on this point.

Mr. ASPINALL. Do you have any notice from your Department that would lead to a Solicitor's opinion? If you do not have, say so.

Mr. RASMUSSEN. We have a recent note that indicates the former Solicitor's views.

Mr. ASPINALL. That is what we want. If you have it and if it is in the form of what can be said to be an opinion upon which you based some action, we would like to have a copy of it and would like to have it placed in the record at this point, Mr. Chairman.

Mr. BARING. Without objection, it is so ordered.

(The document referred to follows:)

DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SOLICITOR,
Washington, D.C., February 19, 1969.

From: Solicitor.

To: George Lee, BLM.

The statement is a good one.

I have added some material in pencil at the bottom of page 8 which reads as follows:

"To base the fee on a credit which represents a return on the market value of a grazing permit as though it were an interest in land like a lease is directly in conflict with Section 3 of the Taylor Grazing Act since it would recognize what the law prohibits—a proprietary interest in the public grazing lands. The concept of permit value itself represents an appropriation by the holders of permits of a part of the public's equity in the public lands. In the case of privately owned lands it is the owner of the land who is realizing the return on his ownership equity, as witnessed by the difference in grazing fees between privately owned and federally owned lands. To allow the permittees the credit on permit value they contend for would be to permit the permittee rather than the owner of the Land, i.e., the public to realize the return on the lands value."

Also, I suggest that a paragraph be added at the end of page 12 taking cognizance of the press release of February 18. For that purpose I suggest the following:

"As indicated by the Secretary's statement of February 18, the Department intends to keep the whole matter under review in the future, taking into account new information and new circumstances, including those developed in the course of judicial proceedings, Congressional hearings, and recommendations of the PLLRC."

I have also made a few other penciled changes in the draft which are self-evident.

EDWARD WEINBERG, *Solicitor*.

Mr. ASPINALL. What were the recommendations, Chief, of the Local District Advisory Boards on the proposed grazing fee schedule?

Mr. CLIFF. The local district advisory boards unanimously recommended that the permit value be included as a cost of doing business in calculating fees.

Mr. ASPINALL. You mean all 50 local advisory boards?

Mr. CLIFF. To my knowledge, all of the local advisory boards were consulted and all of them took a position against our proposed fee schedule, yes, sir. It was on this one basic point.

Mr. ASPINALL. Is your answer any different, Mr. Rasmussen?

Mr. RASMUSSEN. We have a variety of answers. Mainly, though, they were against the fee increase as such.

Mr. ASPINALL. Chief, what was the recommendation of the Special Grazing Fee Committee, a multiple-use committee, of Interior's National Advisory Board Council relative to the new grazing fee schedule in December of 1968?

Mr. CLIFF. I could put their recommendation in the record as they made it, but in essence, they recommended that the grazing or the permit value be allowed, the capitalized value of the permit be allowed in calculating grazing fees.

Mr. ASPINALL. And all 15 cost items were included, and the only one they took exception to was this dollar market value of the permits; is that correct?

Mr. CLIFF. That is the essence of their recommendation, yes, sir.

Mr. ASPINALL. Mr. Rasmussen, your answer is the same, is that correct?

Mr. RASMUSSEN. Relatively the same. I can insert the minutes of the meetings if you would like.

Mr. ASPINALL. All right.

Mr. Chairman, we might as well have the best evidence. I will ask that they be made a part of the record at this point.

Mr. BARING. Without objection, it is so ordered.

(The documents referred to follows:)

MINUTES—MEETING OF NABC GRAZING FEE COMMITTEE

DENVER, COLO.

August 4, 1967.

Purpose of the meeting is to indicate progress of the grazing fee study and the results determined to date. No conclusions have been reached, and no formal committee recommendations are expected at this stage.

It is not intended to operate in secrecy and all data will be made available to members for further study. However, the timetable is short and a decision on the 1968 fee is due by October 15. Additional meetings with the Bureau of the Budget, the Assistant Secretary, and with this committee will be involved.

The objective of the study was to determine the fair market value of public grazing forage. Ability of ranchers to pay was not included in the study. Current results are presented in the attached charts and graphs. Correlation analyses show a very high degree of association between size of permit and permit sales value and total public costs. Size of private lease is highly correlated with private lease rates and total private non-fee costs.

Earlier analyses indicate a high degree of variability on district and State levels. The data does not appear to be statistically reliable when grouped on a district boundary basis. Part of this variation can be explained by differences in size of operation, labor costs (family labor versus hired labor) and climatic conditions. The data also shows a high degree of correlation among the native grassland, chaparral, sagebrush, meadow, pinon-juniper and other (miscellaneous) vegetative types. Broadleaf woodland, coniferous forests, and salt-bush types did not appear to be closely associated with the other six types. About 85% of the public land grazing is in the native grassland and sagebrush types. The average difference in total costs between private and public lands is \$1.31 per AUM (not including cost of owning the permit). The average sales price of permits is \$14.41 per AUM. Additional analyses will be made on the basis of carry-

ing capacity and season of use as data is furnished by the Statistical Reporting Service. The high degree of association between differences in total costs among the major vegetative types and the relatively uniform spread in total costs by size of permit and lease indicate that a flat-Bureau-wide fee is more appropriate than a variable fee at this time. Some major points of discussion were:

Why do smaller ranching operations pay a higher permit price? There may be many facets involved though location of small ranches adjacent to population centers may be one of the major reasons.

The reason that permit values are at present level is because forage values (fees) were originally under-priced. The government is saying that somehow we have to get to the point where fees are at fair market value—where a fair rate is received for the resources.

A grazing permit is a tangible asset, along with other taxable ranch values, and it should be acknowledged as such. Even though 33% of the ranching operations have never been sold, licensees should not be penalized for the business risk or permit value built up over time.

If a 6% interest rate was applied to the permit sales price (\$14.41), the current fee would be 45¢ (\$1.31 minus \$.86). However, arguments could be raised that 3% is average for the industry which would mean a 88 cent fee (\$1.31 minus \$.43). Fee and permit sales value are correlated and higher fees will lower the selling price of permits.

Recognition of permit prices is a major question. The government does not now recognize wheat and tobacco allotment sales values. If the government allows for permit worth, it can never receive the fair market value for its forage resource. Any business is a risk and permit prices can be deducted from income taxes if a capital loss is realized upon sale of the property.

A raise in grazing fees will not, in itself, bankrupt any certain segment of the livestock industry. Any such trend will be a combination of economic factors rather than any single cause.

The following three basic proposals were discussed in some detail:

1. That there be only a minimum increase in the grazing fee because of ability to pay and the economic condition of the industry.
2. That complete recognition of permit prices be made by the government and that allowance continued to be secured through a grazing fee below actual value.
3. That permit price be recognized through depreciation of permit value over a reasonable period of time (20–30 years) while concurrently moving toward a fair market value grazing fee.

It was pointed out that the two participating agencies, BLM and USFS, are working under different time schedules. The results between the two agencies may not be the same because of differences in type of livestock operation and type of lands. Both agencies used the same questionnaire and the data is being analyzed along similar lines. One of the major differences in the USFS is starting from a position of variable fees on basis of (1) livestock type and (2) by forest.

I certify that I attended the proceedings of the Special Committee on Grazing Fees of the National Advisory Board Council herein reported and that these minutes are an accurate summary account of the matters discussed.

BOYD L. RASMUSSEN, *Cochairman,*
Director, Bureau of Land Management,
Washington, D.C.

Committee members: Gene J. Etchart; Bruce Bowler; Edward Clyde; Dan H. Hughes; Ray Lincoln; George Ricca; Gerhard N. Rostvold; John E. Wood; Roy Young.

SUMMARY MINUTES—SPECIAL GRAZING FEE COMMITTEE, NATIONAL ADVISORY BOARD COUNCIL, SAN FRANCISCO, CALIF.

DECEMBER 16, 1968

Attendance:

Those in attendance at some or all of the sessions were:

Committee Members: Bruce Bowler, Idaho; Edward W. Clyde, Utah; Gene J. Etchart, Montana, ex officio; Dan H. Hughes, Colorado; Ray Lincoln, Idaho, Chairman; Lloyd Rea, Oregon; Gerhard N. Rostvold, California; John E. Wood, New Mexico; Roy Young, Nevada.

Bureau of Land Management: Boyd L. Rasmussen, Director, Cochairman; Eugene V. Zumwalt, Assistant Director, Resource Management; Jerry A. O'Cal-

laghan, Chief, Office of Legislation and Cooperative Relations; John Mattoon, Chief, Office of Information; George L. Turcott, Chief, Division of Resource Standards and Technology; George Lea, Chief, Range Staff; Harold Ramsbacher, Economist; Harold K. Johnson, Cooperative Relations Specialist; J. R. Penny, California State Director; James Ruch, Assistant to California State Director.

Observers: Eldon P. Harvey, Council Member, New Mexico; Leonard Horn, Council Member, Colorado; William Helming, Staff Economist, American National Cattlemen's Association.

The first session was called to order at 8:40 a.m., December 16, by Chairman Ray Lincoln. Chairman Lincoln asked Co-chairman Rasmussen to chair the meeting. Co-chairman Rasmussen accepted.

After discussion, William Helming, Staff Economist, American National Cattlemen's Association, was invited to sit in on the first day's session and to speak as an observer and to respond to the Committee. Later in the session, Leonard Horn and Eldon P. Harvey, Council members from Colorado and New Mexico, respectively, requested and were granted permission to sit in on the meeting as observers.

The meeting was then officially opened.

Chairman Rasmussen requested BLM Assistant Director Zumwalt to present a technical explanation of the government's situation regarding the 1966 grazing fee study and resulting data.

Mr. Zumwalt then introduced BLM Resource Economist Harold Ramsbacher who briefed the Committee on the results of the 1966 fee study and the Secretary of Interior's proposed fee formula and implementation schedule as follows:

- (1) History and background of the survey
- (2) Analysis of the survey data—discussion of the rationale on differences between private and public cost items
- (3) Findings of the Technical Grazing Fee Committee which set forth the rationale for the Secretary's proposal for a flat fee rather than a variable fee formula.
- (4) Explanation of the ten year schedule to reach fair market value of \$1.23/AUM.
- (5) Explanation of the forage value index for annual adjustments to keep fees current with market conditions.

The above items were discussed at length with the central point being whether or not the Department should recognize the permit value as an operating cost on the public lands.

Mr. Etchart requested Mr. Helming to present the livestock industry's analysis of the 1966 fee survey and the Secretary of Interior's grazing fee proposal.

Mr. Helming's discussion covered the following points:

- (1) Agreement with the survey design.
 - (2) The permit value should be included as an operating cost at a reasonable interest rate.
 - (3) They considered that an agreement had been made by BLM with the industry that permit value would be considered as an operating cost.
- Director Rasmussen stated that to his knowledge no one in a policy making position had ever stated or implied that interest on value of permit would ever be counted as an operating cost in appraising the economic worth of public land forage. Further, he would obtain for the record a statement on this point.
- (4) Upon query as to what the industry wanted, Mr. Helming stated that they desired to have the permit value included as an operating cost at a 6% interest rate per year which would produce a fee of 43¢ on BLM land.
 - (5) Fees would be adjusted by an index which would include the permit value as a continuing operating cost.

Chairman Rasmussen reviewed and the Committee discussed the public and District Advisory Board comments and recommendations on the Secretary's fee proposal. The Committee requested that the Advisory Board recommendations be re-summarized using the same format used for the public comments to facilitate review.

The allocation of grazing receipts between the range improvement fee and the fee for grazing was discussed at length resulting in the following resolution:

Mr. Clyde moved. . . . The present formula on allocation of the total grazing fees remain as present, i.e., $\frac{1}{3}$ for range improvements and $\frac{2}{3}$ for grazing fees.

The motion was seconded by Mr. Lincoln. Motion passed.

The proposed changes in the Code of Federal Regulations was explained and discussed in detail resulting in the following resolution:

Ray Lincoln moved that. . . . We approve the proposed regulations except for 4115.2-1(K) (1) (i) and 4115.2-1(K) (1) (ii).

The motion was seconded by Mr. Clyde.

After further discussion it was included in the motion the fact that the Committee members have reserved the right to substitute language prior to the report of the Committee to the National Council.

Motion passed.

The Committee recessed at 5:00 p.m. to reconvene at 9:00 a.m. the following day.

DECEMBER 17, 1968

The special Committee reconvened at 9:00 a.m., Tuesday, December 17.

Chairman Lincoln asked cochairman Rasmussen to chair the meeting. Co-chairman Rasmussen accepted.

Chairman Rasmussen summarized the three alternatives proposed by Mr. Clyde, which could be considered:

(1) Permit value should be recognized as an operating cost at 6% per annum.

(2) Permit value should *not* be recognized as an operating cost.

(3) Middle position between the first two alternatives.

(4) Mr. Lincoln suggested a 4th alternative as—No change.

Chairman Rasmussen then asked each Committee member, in turn, for an individual expression of views on these items.

The issues were discussed further until lunch adjournment at 11:30.

The meeting reconvened at 1:30 p.m.

Mr. Clyde offered a proposed resolution for Committee consideration. After extensive discussion and considerable re-write, the following resolution was moved by Clyde, seconded by Rea and Hughes concurrently and adopted by the Committee unanimously.

Before 1934, grazing was not restricted and there was no fee. This was changed by the adoption of the Taylor Grazing Act because the land was being abused and because of the unstable conditions caused by unrestricted access.

The Taylor Grazing Act has authorized the Secretary of the Interior to issue permits to graze livestock on public lands in grazing districts and to fix and determine reasonable fees therefore. The act further states that in fixing the amount of such fees the Secretary "shall take into account the extent to which grazing districts yield public benefits over and above those accruing to the users of the forage resources for livestock purposes." For 34 years the Secretary of the Interior has fixed fees on BLM lands generally below rental fees on comparable private lands. This and other factors have created an average value in the permit of \$14.41 (as indicated by the study) per AUM and approximately $\frac{2}{3}$ of the permits have been transferred under a sales or assignment system presumptively well known both to the Congress and to the Secretary.

The proposed regulations in Sec. K(1) (ii) would fix the grazing fee at the fair market value of the forage. The language of the proposed regulation does not necessarily require that there be no consideration of the investment to acquire the permit, but the comparative cost study and the present proposal for increasing fees make no allowance for interest costs on capital necessarily invested by the user in the acquisition of his grazing permits.

Resolved that this Committee recognizes that the interest cost in capital invested in the permit is indeed a cost, and that this should be considered in setting grazing fees. It does not at this time make a recommendation as to how this should be treated as a matter of future long range policy. This Committee recommends that interest cost on capital invested in the permit and other aspects of the permit value should be studied. Further, those concerned should

be afforded an opportunity to seek Congressional guidelines for fixing fees in harmony with existing Federal policies and programs.

Resolved further that the grazing fees be increased for 1969 to 43¢ per AUM which is within 1¢ of the amount proposed by the Department for the first year and the amount which the livestock industry contends is the highest fee justified by the comparative cost study if allowance is made for the interest costs on capital invested in the acquisition of the permit.

Moved and passed unanimously.

I certify that these minutes constitute an accurate summary of the persons present and the matters discussed at the meeting of the Special Committee on Grazing Fees held in San Francisco, California, on December 16 and 17, 1968. A full transcript of the meeting was made and will be on file in the office of the Director, Bureau of Land Management, where it will be available for inspection by any party of interest during normal work hours.

Approved:

BOYD L. RASMUSSEN, *Co-chairman.*

Dated December 17, 1968.

GRAZING FEE ANALYSIS

DISTRICT ADVISORY BOARD RECOMMENDATIONS

A majority of the districts recommended adoption of all of the proposed regulations, with some minor modifications, except for part (k) (1) (ii) dealing with the fair market value fee formula. There were a number of issues raised in rejecting part (k) (1) (ii), such as:

Congressional hearings are needed.

Withhold action pending the PLLRC report.

Recognize permit value.

Economic status of the industry is poor.

The survey is not valid.

Action is contrary to the TGA.

Will have an adverse effect on livestockmen and local communities.

Proposal is politically inspired.

Meat prices will rise.

Present formula is satisfactory—retain present fee level.

The proposed formula ignores parity by changing the fee base from price to livestock to forage value.

A fee increase jeopardizes competitive position against imports.

Need a variable fee.

Industry needs time to analyze the study data.

A share of the costs benefitting public lands is born by the industry.

Further study is needed to determine the ultimate economic effect on permittees and local communities.

Private land values and lease rates are unfair barometer of fair market value.

The proposed formula will result in ever-increasing public land fees because of the raised fee effect on private land lease rates.

The following three districts essentially favored adoption, including the fair market fee formula:

Eugene—Complete adoption.

Miles City—Approve annual adjustment of the base fee. Approve an annual \$.09 graduated increase for five years. Recommend reevaluation after five years in light of PLLRC findings. Seventy-five percent of the total fee go to the county in lieu of taxes. All public land users pay a fair fee.

Prineville—Adjust fees when a significant amount of water must be hauled, dense juniper restricts livestock movement, or other similar hardships exist. At least 50% of the total fee be allocated for range improvements.

Three proposed rule making provisions had unanimous approval or no opposition:

411.2-1 (g)—Change in grazing season.

(k) (2) (ii)—Failure to pay.

(k) (3)—Refunds.

Recommendations, not necessarily unanimous, were made to retain the following current provisions:

4115.2-1(k) (2) (ii)—Fee Formula.

(k) (3)—Crossing permits.

(k) (5) (ii)—Administrative procedures—refunds.

Recommended modifications (changes in quotes) :

4110.0-5:

(s) Allotment management plan means "a written action program designed cooperatively by the livestock operator and the Bureau of Land Management to reach cooperatively developed specific management goals."

(s) and (t) Strike "specific".

(s) and (t) Add stipulation that these are "voluntary".

4115.2-1(k) (1) :

(i) Fees will be charged . . . for use of the range "and a portion thereof will be credited to the range improvement fund."

(i) Fees will be charged . . . range improvement fee. "Fifty percent of the total fee will be allocated as a range improvement fee."

(ii) Fees for each fee . . . 1966 "including the cost of owning the permit" or as determined . . . current thereafter.

(iii) A minimum . . . permits, "allotment management plans" nonrenewable licenses . . .

(iii) Clarify to "exclude total non-use authorizations".

(iv) "The amount designated as range improvement fees may vary in accordance with the character or requirements of the various districts or unit thereof in which the grazing capacity of the Federal Range is increased by reason of the addition of land not owned by the United States, or by reason of a cooperative agreement or memorandum of understanding between the Bureau of Land Management and any State or Federal agency, or any person, association, corporation, or otherwise."

(iv) Expand to include a statement "that at least one-third of the fee be retained for range improvements."

(iv) "The range improvement fund will be credited with at least 50% of the total grazing fee but may vary" in accordance . . .

(v) All livestock 6 months . . . been issued "or for which an allotment management plan has been approved." No fees . . .

(v) Add "Livestock 6 to 18 months of age be computed and charged as one-half AUM; and sheep figured proportionately."

4115.2-1(k) (2) :

(i) No license or permit . . . under "these regulations have been made." Fees . . . authorized. "Except that where the grazing use is authorized on the basis of an approved allotment management plan, the District Manager may either":

(i) No license or permit . . . ; except that where "grazing use is authorized on the basis of an approved allotment management plan, the District Manager may either":

(i) "No license or permit . . . is authorized." Delete remainder of (i), (i) (a) and (b).

PROPOSED RULE MAKING

Department of the Interior

Bureau of Land Management

[43 CFR PART 4110]

GRAZING REGULATIONS FOR PUBLIC LANDS

Notice of proposed rule making

Basis and purpose. Notice is hereby given that pursuant to authority vested in the Secretary of the Interior by the Act of June 28, 1934 (48 Stat. 1270; 43 U.S.C.

315b), as amended and supplemented, it is proposed to amend and revise the regulations as set forth below.

The purpose of this change is to authorize the Secretary to determine grazing fees which reflect fair market value of range forage. The change also provides that the Secretary may adjust the fees annually.

This change also provides for the simplification of administrative procedures to allow flexibility in livestock operations when operating under an approved allotment management plan. Flexibility is necessary where intensive management is being practiced to allow livestock operators to adjust to changing climatic and forage conditions. Grazing fees based on the actual forage consumed will reflect a more equitable payment.

It is the policy of the Department, whenever practical, to afford the public an opportunity to participate in the rulemaking process. Accordingly, interested persons may submit written comments, suggestions, or objections with respect to the proposed amendments to the Bureau of Land Management, Washington, D.C., 20240, within forty-five (45) days of publication of this notice in the *FEDERAL REGISTER*.

1. New paragraphs (s) and (t) are added to § 4110.05 as follows:

§ 4110.0-5 Definitions.

(s) "Allotment management plan" means a program of action designed to reach specific management goals.

(t) "Grazing system" means a specific sequence of livestock grazing by designated area to accomplish management objectives.

2. In § 4115.2-1, the introductory portion of paragraph (g) and the entire paragraph (k) are amended to read as follows:

§ 4115.2-1 License and permit procedures; requirements and conditions.

(g) *Change in grazing season.* Any licensee or permittee who desires to use the Federal range for a period or periods other than as authorized by his license, permit, or approved Allotment Management Plan, may, upon a written approval of the District Manager, be allowed to use the amount of his authorized grazing privileges during any period of time for which the Federal range is classified as proper for use, provided:

(k) *Fees, payments and refunds.*—(1) *Fees.* (i) Fees will be charged for the grazing of all livestock on public lands at a rate per animal unit month, except that no fee will be charged for a free-use license. Fees will consist of a grazing fee for use of the range and a range improvement fee.

(ii) Fees for each fee year will be established by the Secretary to reflect the fair market value of range forage as determined by the Western Livestock Grazing Survey of 1966 or as determined by a similar study which may be conducted periodically to update the fee base, if deemed necessary. Annual adjustments may be made to reflect current values. Grazing fees will be scheduled to attain fair market value by 1979 and kept current thereafter.

(iii) A minimum annual charge of \$10 will be made on all regular licenses, permits, nonrenewable licenses, and crossing permits, except as specified in subdivision (vi) of this subparagraph.

(iv) Range improvement fees may vary in accordance with the character or requirements of the various districts or portions thereof. Grazing fees may differ in any district or unit thereof in which the grazing capacity of the Federal range is increased by reason of the addition of land not owned by the United States, or by reason of a cooperative agreement or memorandum of understanding between the Bureau of Land Management and any State or Federal agency, or any person, association, corporation, or otherwise.

(v) All livestock 6 months of age or over allowed on the Federal range will be considered at any point of time during the grazing period as a part of the total number for which a license or permit has been issued. No fees will be charged for livestock under 6 months of age.

(vi) Upon application filed with the District Manager, by any person showing the necessity for crossing the Federal range with livestock for proper and lawful purposes, a crossing permit may be issued. Charges are payable in advance at a rate per animal unit month, except that no fee will be charged where the trail to be used is so limited and defined that no substantial amount of forage will be consumed in transit.

(2) *Payment of fees.* (i) No license or permit shall be issued or renewed until payment of all fees due the United States under the regulations in this part have been made. Fees for licenses and permits are due the United States upon issuance of a fee notice and are payable in full in advance before grazing use is authorized; except that where a license is issued on the basis of an approved allotment management plan, the District Manager may either:

(a) Issue a fee notice upon termination of the grazing period authorized. The fee notice will reflect the actual grazing use made and will be payable within 30 days of the date of issuance, or

(b) Issue a fee notice on the basis of the normal operation detailed in the allotment management plan. Such fees are due the United States upon issuance and are payable in full in advance before grazing use is authorized. At the conclusion of the authorized grazing period the actual grazing use will be determined. A supplemental billing reflecting additional use must be paid within 30 days of issuance. A refund or credit may be made toward the following year's fees for use less than the normal operation. Ordinarily, no adjustment will be made when the amount is under \$5.

(ii) Grazing privileges may be canceled or reduced for failure to pay the required fees. Any licensee or permittee who desires a change in grazing use authorized pursuant to any of the provisions of this section must file, in advance, a written request for such change, except when the change is in conformance with an approved allotment management plan. Upon approval of change, fees may be adjusted.

(3) *Refunds.* No refund will be made for failure to use all grazing privileges represented by a license or permit, except that:

(i) During periods of range depletion due to severe drought or other natural causes, or in case of a general epidemic of disease during the life of a license or permit, fees due may be reduced in whole or in part, credited or refunded; or fee payment may be postponed for such periods so long as the emergency exists.

STEWART L. UDALL,
Secretary of the Interior.

NOVEMBER 13, 1968.

[F.R. Doc. 68-13847 ; Filed, Nov. 15, 1968 ; 8:49 a.m.]

DISTRICT ADVISORY BOARD RECOMMENDATIONS SUMMARY

PROPOSED RULE MAKING

CHANGES IN THE REGULATIONS RELATING TO GRAZING FEES, DECEMBER 1968

ARIZONA

District—CFR part	Adopt proposed CFR	No change present CFR	Modify proposed CFR	Other recommendations
St. George, all parts except (k)(1)(ii)-----	X	-----	-----	No increase in fees pending the PLLRC report. All information collected has not been used in determining fair market value. Reject, pending the PLLRC report and public hearings. No unanimity on permit value. Accept, providing all economic factors are used, including permit value. Also, give consideration to "Budgets for Livestock Ranches," William E. Martin, University of Arizona.
Phoenix, all parts except (k)(1)(ii)-----	X	-----	-----	
Safford, all parts except (k)(1)(ii)-----	X	-----	-----	

CALIFORNIA

Bakersfield, all parts except: (k)(1)(ii)-----	X	-----	-----	Retain or reduce present fees. Maintain a strong domestic livestock industry. Lack reasonable industry profits. Fee increase would jeopardize domestic competitive position with imports. Determined fair market value is inconsistent with the income approach to determining value. Taxes were not properly considered. Livestock use should be considered as an economic benefit and cost saving to the Government.
(k)(1)(v)-----		-----	And add: Livestock 6 to 18 months of age be computed and charged as $\frac{1}{2}$ animal unit months; and sheep figured proportionately.	
Susanville, all parts except (k)(1)(ii)-----	X	-----	-----	Withhold any increase pending the PLLRC report. Consider variable fees as an alternate; with any increase distributed 50 percent to the county for roads and schools and 50 percent to the district for range improvements.

COLORADO

Craig, all parts except (k)(1)(ii)-----	X	-----	-----	Delay adjustment in fees pending congressional hearings and the PLLRC report. Recognize permit value. Private land values and lease rates are an unfair barometer of fair market value. The fee should always be determined on livestock market values. The proposed fee formula will automatically result in increased fees. The industry cannot afford an increase.
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Glenwood Springs, all parts except (k)(1)(ii).....	X	-----	Defer change until further study can determine ultimate effects upon users and public. Recognize permit value. Ignores parity by changing fee base from price of livestock to forage value. Proposed forage index formula would automatically increase fees. PLLRC studies are not complete.
Montrose, all parts except: 4110.0-5 (s) and (t) (k) (1) (ii).....	X	-----	Strike "specific"-----
(k)(1)(ii).....		-----	Clarify to exclude total nonuse authorizations.
Cannon City, all parts except (k)(1)(ii).....	X	-----	Retain the present fee formula pending the PLLRC report. Consider permit value.
Grand Junction, all parts except (k)(1)(ii).....	X	-----	Defer change until further study can determine ultimate effects upon users and public. Recognize permit value. Ignores parity by changing fee base from price of livestock to forage value. Proposed forage index formula would automatically increase fees. PLLRC studies are not complete.
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Boise.....		-----	Reject. Determination of fee be based on all costs, including permit value, and facts developed by the PLLRC and other legitimate fee studies. All fees increase be returned to the district for range improvement.
Burley.....		-----	No change in formula or fee. Permit value has not been considered, though it is recognized by other Government agencies. No action should be taken pending the PLLRC report. The proposal is contrary to the TGA. The formula proposed will automatically increase fees again.
Idaho Falls.....		-----	Postpone any fee raises until after public hearings and sufficient time allowed for the industry to compile data to present at such hearings.
Salmon.....		-----	Prior to adoption of the fee formula further congressional and public hearings be held to properly determine fees. That 50 percent of the fees collected be returned to the district for resource development and 25 percent to the county's general fund.
Shoshone.....		-----	In the determination of a proper fee the charge be based on all costs recognized in the fee study including permit value, and market value of the product, quality of the range, PLLRC facts, and other legitimate fee studies. Any fee increase be a range improvement fee to be returned to the districts.

MONTANA

District—CFR part	Adopt proposed CFR	No change present CFR	Modify proposed CFR	Other recommendations
Malta, all parts except: 4110.0-5(s)-----	X	-----	"Allotment management plan means a written action program designed cooperatively by the livestock operator and the Bureau of Land Management to reach cooperatively developed specific management goals."	
(k)(1)(i)-----			"Fees will be charged for the grazing of all livestock on public lands at a rate per animal unit month, except that no fee will be charged for a free use license. Fees will consist of a grazing fee for use of the range and a portion thereof will be credited to the range improvement fund."	
(k)(1)(ii)-----			"Fees for each fee year will be established by the Secretary to reflect the fair market value of range forage as determined by the Western Livestock Grazing Survey of 1966 including the cost of owning the permit or as determined by a similar study which may be conducted periodically to update the fee base, if deemed necessary. Annual adjustments may be made to reflect current values. Grazing fees will be scheduled to attain fair market value by 1979 and kept current thereafter."	Reject the proposal and pay a 30-percent increase to bring fees to 43 cents fair market value as determined by Western Livestock Grazing Fee Survey, including permit value. All other items agreed to should be considered. Proposed increase is unreasonable and will have an adverse economic effect.
(k)(1)(iv)-----			"The amount designated as range improvement fees may vary in accordance with the character or requirements of the various districts or unit thereof in which the grazing capacity of the Federal range is increased by reason of the addition of land not owned by the United States, or by reason of a cooperative agreement or memorandum of understanding between the Bureau of Land Management and any State or Federal agency, or any person, association, corporation, or otherwise."	

Miles City, all parts except..... X

Approve an annual 9-cent graduated increase for 5 years. Recommend reevaluation after 5 years in light of PLLRC findings. Fee receipts be divided 25 percent for range improvements and 75 percent for grazing so as to provide an increase in lieu of taxes to counties. Recommend all users, including recreation pay a fair fee for privileges on the public lands.

Justification for a grazing fee increase is recognized. Approve annual adjustment of the base fee by an index computed from private land rental rates.

Billings, all parts except:

(k)(1)(ii)..... X

Oppose raise pending congressional review and hearings on the economic impact of an increase. Retain the livestock price formula and apply a variable fee.

(k)(1)(iii).....

"A minimum annual charge of \$10 will be made on all regular licenses, permits, approved allotment management plans, nonrenewable licenses, and crossing permits, except as specified in (VI) below."

(k)(1)(v).....

"All livestock 6 months of age or over allowed on the Federal range will be considered at any point of time during the grazing period as a part of the total number for which a license or permit has been issued or for which an allotment management plan has been approved. No fees will be charged for livestock under 6 months of age."

(k)(2)(i).....

"No license or permit shall be issued or renewed until payment of all fees due the United States under these regulations have been made. Fees for licenses and permits are due the United States upon issuance of a fee notice and are payable in full in advance before grazing use is authorized. Except that where the grazing use is authorized on the basis of an approved allotment management plan, the district manager may either:"

Capitalized permit value be recognized, which would result in a 43 cent fee, to be spread over a 5-year period.

"The board recognizes that an increase in grazing fees is in order but we do not concur in the total fees as proposed in the rule-making. We recommend to the National Advisory Board Council that they give this matter further consideration and that the recommendations of the National and State livestock organizations be given full consideration. We further recommend that the approach to fair market value be tied to the price of livestock rather than the current lease rates on private lands. We further recommend that the rate of return to the counties from grazing fees be increased to 50 percent in lieu of taxes."

Dillon, all parts except (k)(1)(ii)..... X

Lewistown.....

NEVADA

District—CFR part	Adopt proposed CFR	No change present CFR	Modify proposed CFR	Other recommendations
Elko, (k)(1)(ii) through (k)(1)(vi).....				No change. Do.
Winnemucca, (k)(1)(ii).....				Do.
Carson City: (k)(1)(ii).....	X			Do.
(k)(1)(vi).....				No change. No implementation until all study information is made available to the industry for evaluation.
Ely, (k)(1)(ii).....				No change.
Las Vegas, (k)(1)(ii).....				No change. Comments summary, statewide: Permit value was not considered. An increased fee will devalue property value and eliminate investments in privileges. Public benefits, as a result of private range improvements, are not considered. Proposal will reduce funds available for private range improvement investments. Action will negate PLLRC studies. Increase would have a greater effect on local economies in Nevada because of larger permits politically motivated. The industry is presently in economic straits.
Battle Mountain, (k)(1)(ii).....				

NEW MEXICO

Albuquerque, all parts except (k)(1)(ii).....	X			Rescind, and base the 1969 fees on study results which include costing estimates of all items agreed to for the survey. Fees for future years be set according to study results and future updates.
Socorro, 4115.2-1(k)(2)(ii)(b).....		X		Oppose increase of magnitude proposed. Costs should include permit value. Postpone action pending congressional hearing.
Las Cruces: 4110.0-5.....			Add stipulation that (s) and (t) are voluntary actions by user.	
(k)(1)(ii).....				Costs should include permit value, and fees for future years be set according to this structure and formula with updates to reflect current conditions.
4115.2-1(k)(5)(ii)(k)(2)(i).....		X	Delete all after semicolon in second sentence.	50 percent of total collected by a range improvement fee.
Roswell, all parts except (k)(1)(ii).....	X			Defer any increase until NABC presents a recommendation to the new Secretary of the Interior. Oppose increase of magnitude proposed. An increase should be more compatible with present livestock economy.

OREGON		
Lakeview, all parts except:		
(k)(1)(ii)-----	X	
(k)(2)(i)-----		No license * * * except that where "grazing use is authorized on the basis of an approved allotment management plan, the district manager may either:"
4115.2-1(k)(2)(ii)-----	X	
Burns-----		
Vale, all parts except:		
(k)(1)(i)-----	X	50 percent of the total fee be allocated as a range improvement fee.
(k)(1)(ii)-----		
Prineville, all parts except-----	X	Adjustment in fees be made when a significant amount of water must be hauled, dense juniper restricts livestock movement, or other similar hardships exist. 50 percent of the total fee be allocated as a range improvement fee.
Baker, (k)(1)(ii)-----		
Eugene, all parts-----	X	Retain price of livestock formula.

UTAH

District—CFR part	Adopt proposed CFR	No change present CFR CFR	Modify proposed CFR	Other recommendations
Salt Lake City, all parts except (k)(1)(ii)-----	X	-----	-----	Reject. Give consideration to permit value. Accept a 1969 fee of 44 cents and permanently hold at that level (SLC Board No. 1). Retain present formula (SLC Board No. 2).
Fillmore, all parts except*-----	X	-----	-----	Public hearing needed. The Desert News indicated a need for further study. No unanimity of opinion on permit value. No action should be taken pending the PLLRC report. Need to study effect of a fee increase on the industry and economic growth. Economic status of livestock industry is low. Continue use of its present formula. Forage value on leased lands is not a reliable index.
(k)(1)(ii)-----	X	-----	-----	
(k)(1)(vi)-----	X	-----	-----	
Cedar City, all parts except (k)(1)(ii)-----	X	-----	-----	Should consider permit value as a cost of operation. No action pending the PLLRC report.
Richfield, all parts except (k)(1)(ii)-----	X	-----	-----	Present method of determining fees is proper. Any increase would be detrimental to the industry and local economy.
Monticello, all parts except:-----	X	-----	-----	Omit.
(k)(1)(ii)-----	X	-----	-----	Do.
(k)(1)(vi)-----	X	-----	-----	No action pending the PLLRC report.
4115.2-1(k)(2)(ii)-----	X	X	-----	
4115.2-1(k)(3)-----	X	X	-----	
Price, all parts except (k)(1)(ii)-----	X	-----	-----	Omit. Variable fee would be appropriate. Industry cannot afford the proposed fee. Maintain present range improvement fee formula.
Vernal, all parts except:-----	X	-----	-----	Omit. Permit value was not considered. No action pending the PLLRC report. Private land lease rates is an unfair barometer. Fee should be based on livestock prices. Industry cannot afford an increase. States and communities will suffer economically. Need time to analyze the proposal. Congressional hearings are needed.
(k)(1)(ii)-----	X	-----	-----	
(k)(1)(iii)-----	-----	-----	Add an exception for nonuse licenses.	
(k)(1)(iv)-----	-----	-----	Amend to "The range improvement fund will be credited with at least 50 percent of the total grazing fee but may vary in * * *"	
(k)(1)(vi)-----	-----	-----	-----	Omit.
4115.2-1(k)(2)(ii)-----	-----	X	-----	
4115.2-1(k)(3)-----	-----	X	-----	
Kanab-----	-----	-----	-----	No increase in fees. Take no action on how fees are to be used until fees are increased.

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Worland, all parts except: (k)(1)(ii)-----	X		Disapprove. Is contrary to the regulations and the TGA. Validity of the survey is questioned. Industry stability depends upon fees having fair economic value. A great share of the costs benefiting public lands has been born by the industry. Raise will force most dependent livestockmen out of business, and have an adverse effect on local economies. Proposal would be difficult to administer because of other considerations. Untimely because the PLLRC report is not complete.
4115.2-1(k)(2)(ii)-----		X	
Lander, all parts except: (k)(1)(ii)-----	X		Reject. The survey is defective because it does not consider the permits value. The present formula should be retained. The industry cannot absorb the increase and local economies would be crippled. Any changes should await the PLLRC.
(k)(1)(iv)-----			
			Expand to include a statement that at least $\frac{1}{4}$ of the fee be retained for range improvements.
Rawlins, all parts except (k)(1)(ii)-----	X		Delete. Raise will have a devastating economic effect on the industry. The move is politically inspired. The analysis is inaccurate. Congress and the PLLRC should review the proposal. An increase will raise meat prices. $\frac{2}{3}$ of a fee go to the R.I. fund and $\frac{1}{3}$ to the Treasury and the State.
Rock Springs, all parts except: (k)(1)(ii)-----			Reject. Fee should be established annually. Maintain present formula. BOB cannot set fees. Economic impact would be disastrous.
4115.2-1(k)(2)(ii)(a)-----		X	
Pinedale, all parts except (k)(1)(ii)-----	X		Not adopt. Congressional hearing should be held. Action be withheld pending the PLLRC report. Permit value has not been considered. No consideration given to grazing fees in computing public land costs.

Mr. ASPINALL. Did the agencies consider public benefits matters as stated in Section 3 of the Taylor Grazing Act in the promulgation of the new fee schedule, Mr. Rasmussen?

Mr. RASMUSSEN. They did consider them, but the study was based on the cost of the permittee's doing business on the public domain land. Any costs to the Federal Government which might be attributable to public benefits were not included as a cost to the permittee.

Mr. ASPINALL. Was there any specific dollar amount set up on any of them?

Mr. RASMUSSEN. No, sir.

Mr. ASPINALL. Do the agencies have a specific legal opinion or definition of public benefits as provided for in the Taylor Grazing Act?

Mr. RASMUSSEN. No specific legal opinion.

Mr. ASPINALL. I wonder why there is not any?

Mr. RASMUSSEN. My associate tells me we have an older one that covers it in part.

Mr. ASPINALL. May we have a copy of that older one?

Mr. RASMUSSEN. We shall have to get it for the record, sir.

Mr. ASPINALL. Fine.

I ask that it be made a part of the record at this point.

Mr. BARING. Without objection.

(The document referred to follows:)

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SOLICITOR,
Washington, D.C., February 27, 1962.

Memorandum:

To: Assistant Secretary Carver,

From: Assistant Solicitor, Branch of Lands

Subject: Grazing fees and cost of administration—Taylor Grazing Act.

At the meeting of the National Advisory Board Council at Albuquerque last week, the question was raised on a number of occasions, as to what effect the cost of administration of Section 3 grazing under the Taylor Grazing Act would have on establishing a grazing fee under that Act.

The definitive answer is contained in the Solicitor's opinion M-34766 of December 20, 1946, which held that the cost of administration of the Act is a factor that may be considered in fixing fees but it is not the controlling factor. This is consistent with the position we took at Albuquerque. A copy of M-34766 is enclosed for your information and retention.

J. H. TUDOR,
Assistant Solicitor, Branch of Lands.

Enclosure:

cc: Assistant Director Kerr, BLM

GRAZING FEES UNDER THE TAYLOR GRAZING ACT

(OPINION, DECEMBER 20, 1946)

TAYLOR GRAZING ACT—BASIS OF FIXING GRAZING LICENSE AND PERMIT FEES

The Taylor Grazing Act authorizes the Secretary to fix fees for grazing licenses and grazing permits upon any basis determined by him to be reasonable in the light of the purposes of the act, which are to stop injury to the public range by overgrazing and soil deterioration, to provide for their orderly use, improvement, and development, and to stabilize the livestock industry dependent upon the public range. The cost of administration of the act is a factor which may be considered in fixing fees but it is not the controlling factor.

MASTEN G. WHITE, *Solicitor.*

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SOLICITOR,
Washington, D.C., December 20, 1946.

M. 34766.

Memorandum:

To: Assistant Secretary Davidson.

From: The Solicitor.

Subject: Grazing fees under the Taylor Grazing Act.

In your memorandum of November 14, you asked for my views on the question whether the Taylor Grazing Act¹ "contemplates that the grazing fee shall cover the value of the forage or only the cost of administration."

I take it that your inquiry is broadly directed to the nature and extent of the authority conferred by the act upon the Secretary to fix grazing fees in the case of both permits and "temporary" licences (which were issued prior to the time when the Department began the issuance of permits and which are still outstanding in substantial numbers); and your question will be answered accordingly.

I.

I shall discuss first the question of grazing license fees.

Sections 2 and 3 of the Taylor Grazing Act (43 U.S.C. sec. 315a, 315b) provide in part as follows:

"Sec. 2. The Secretary of the Interior shall make provision for the protection, administration, regulation, and improvement of such grazing districts as may be created under the authority of the foregoing section, and he shall make such rules and regulations and establish such service, enter into such cooperative agreements, and do any and all things necessary to accomplish the purposes of this Act and to insure the objects of such grazing districts, namely, to regulate their occupancy and use, to preserve the land and its resources from destruction or unnecessary injury, to provide for the orderly use, improvement, and development of the range: * * *

"Sec. 3. That the Secretary of the Interior is hereby authorized to issue or cause to be issued permits to graze livestock on such grazing districts to such bona fide settlers, residents, and other stock owners as under his rules and regulations are entitled to participate in the use of the range, upon the payment annually of reasonable fees in each case to be fixed or determined from time to time * * *. During periods of range depletion due to severe drought or other natural causes, or in case of a general epidemic of disease, during the life of the permit, the Secretary of the Interior is hereby authorized, in his discretion to permit, reduce, refund in whole or in part, or authorize postponement of payment of grazing fees for such depletion period so long as the emergency exists * * *."

In 1936, two years after the passage of the Taylor Grazing Act, the Department adopted regulations which provided that until grazing permits could be issued under section 3 of the act, temporary licenses would be issued under section 2. Holders of licenses were required to pay grazing fees of 5 cents per month per head of cattle or horses and 1 cent per month per head of sheep or goats. (Rules for Administration of Grazing Districts, approved March 2, 1936; see 43 CFR 501.1, 501.16.)

The regulations were promptly attacked, and in ensuing litigation the United States District Court in Nevada and the Supreme Court of that State held the fee provisions to be invalid. *United States v. Achabal*, 34 F. Supp. 1 (1940); *Brooks v. Dewar*, 106 P. (2d) 755 (1940). Their reasoning was the same, the *Brooks* decision citing the *Achabal* case. Assuming that the Secretary had authority under section 2 to issue temporary licenses and to charge license fees, the courts held that such fees must be fixed in accordance with the rule which would govern the fixing of permit fees under section 3, that is, the fees must be "reasonable in each case." They held that the uniform fees prescribed in the regulations did not accord with this standard because grazing areas varied materially in value due to differences in the forage cover, climatic conditions, topography, and other such factors, and, therefore, uniform fees applicable to all areas could not be reasonable when applied in each separate case.

The *Brooks* decision was reversed by the United States Supreme Court. *Brooks v. Dewar*, 313 U.S. 354 (1941). Pointing out that Congress, with knowledge that

¹ Act of June 28, 1934 (48 Stat. 1269, as amended; 43 U.S.C. sec. 315 *et seq.*).

the Department was issuing temporary licenses and was charging uniform fees therefor, had repeatedly appropriated part of the receipts for expenditure on range improvements, the Court held that the repeated appropriations not only confirmed the Department's construction of section 2 but constituted ratification of the action of the Secretary as the agent of Congress in administering the act. Upon the strength of the Supreme Court decision, the *Achabal* case was also reversed (122 F. (2d) 791 (C.C.A. 9th 1941)).

Whatever the significance of these decisions with respect to the immediate question may be, this much seems clear: the State Court and the Federal district court assumed that the Secretary was to adjudge the reasonableness of license and permit fees upon the basis of the grazing value offered. The courts said nothing about relating such fees to costs of administration. The Supreme Court found it unnecessary to pass upon this assumption in view of its holding that Congress had ratified the action of the Department in charging uniform fees. It does seem significant that in the only judicial discussion of the act with reference to the fixing of grazing fees, there was no mention of costs of administration as a controlling factor. Furthermore, the fees sustained by the Supreme Court apparently bore no relation to costs of administration. Cattle and horses were charged five cents a head, sheep and goats one cent per head. The differential in fees seems totally unrelated to the administrative cost of furnishing grazing facilities and services for the various species. Congress, in ratifying the charging of these fees, presumably had no thought that the fees were to be based upon the expense of administration.

It is my opinion that the Taylor Grazing Act does not limit the amount which may be charged for grazing license fees to the administrative costs under the act or require the fees to be fixed on such basis, but that the act permits the fees to be fixed in any amount and upon any basis determined by the Secretary to be reasonable in the light of the purposes of the act, which are to stop injury to the public grazing lands by overgrazing and soil deterioration, to provide for their orderly use, improvement, and development, and to stabilize the livestock industry dependent upon the public range.²

II.

I am of the same opinion with respect to grazing permit fees. That conclusion is supported, I think, by the language of section 3 and the legislative history of the act, as well as by the cases just discussed.

Section 3 provides for "reasonable fees in each case to be fixed or determined from time to time * * *." This language seems to contemplate that fees may be varied according to the circumstances of particular cases, a process which is inconsistent with the pegging of fees to costs of administration. Section 3 further provides that fees may be remitted, reduced, refunded, or postponed during periods of range depletion due to severe drought or other natural causes or in case of a general epidemic of disease. The idea seems implicit in this provision that fees are to be related to the value of the grazing privileges to a permittee, for the cost of administration would not fluctuate directly or necessarily with the amount of forage available to a permittee or the number of livestock which he might have for grazing. It is significant, too, that section 10 of the act (43 U.S.C. sec. 315i), which provides for the disposition of receipts, does not allocate any part of fees received for the express purpose of paying costs of administration. This contrasts with the distribution in section 10 of 50 percent of the proceeds received to the States in which grazing districts are situated, to be used for the benefit of the counties producing the receipts, and the apportionment of 25 percent of the proceeds to be used, when appropriated by Congress, for the construction, purchase, or maintenance of range improvements. The remaining 25 percent simply goes into the Treasury as miscellaneous receipts, and appropriations for administrative costs are made from the general fund.³

The legislative history bears out the conclusion previously stated. The Taylor Grazing Act was introduced in the Seventy-third Congress as H.R. 6462. Prac-

² See the title of the act and sec. 2 (43 U.S.C. sec. 315a). See also H. Rep. No. 903, 73d Cong., 2d sess., p. 2, and S. Rep. No. 1182, 73d Cong., 2d sess., pp. 2-3; *United States v. Achabal*, 34 F. Supp. 1 (D. Nev., 1940).

³ See for example, Interior Department Appropriation Acts for 1943 (56 Stat. 506, 507), 1944 (57 Stat. 451), 1945 (58 Stat. 463), 1946 (59 Stat. 318, 322), and 1947 (Public Law 478, 79th Cong., 2d sess.).

tically the same bill had been introduced in the preceding Seventy-second Congress as H.R. 11816, and H.R. 6462 was expressly recognized as being the same legislation.⁴ As drafted in H.R. 11816, section 3 of the bill for all practical purposes contained the same language as that quoted above from section 3 of the act.⁵ H.R. 11816, as explained in an exhaustive and detailed memorandum of the Forest Service which was submitted with the report of the Department of Agriculture on the bill (H. Rep. No. 1719, 72d Cong., 1st sess.), was drafted by the Departments of Agriculture and Interior with the cooperation of Representatives Colton and French. The Forest Service memorandum contains this thorough and highly significant discussion of section 3:

"Section 3 gives to the Secretary of the Interior specific authority for the issuance of grazing permits to stockowners entitled to the use of the range either as individuals, groups, or associations, such permits to be for a period of not to exceed 10 years, but subject to renewal, in the discretion of the Secretary, upon payment of reasonable annual fees to be determined by the Secretary. Your attention is also specifically called to the following language which is incorporated in the section:

'During periods of range depletion due to severe drought or other natural causes, or in case of a general epidemic of disease during the life of the permit, the Secretary of the Interior is hereby authorized, in his discretion, to remit, reduce, refund in whole or in part, or authorize postponement of payment of grazing fees so long as the emergency exists.'

"Some effort was made to work out and embody in the bill some principle for the establishment of fees, or a statement of the rate or rates to be charged under given conditions. This was found to be impractical. What would be reasonable under one set of circumstances would be unreasonable and excessive under another. After all, it was believed to be best to leave this to the discretion of the Secretary of the Interior, with the provision, however, that fees 'must be reasonable.' The departmental representatives, of course, realize that a fee which would be reasonable on improved and stabilized range would be unreasonable if applied to a depleted, injured, or impoverished range; also that a fee which would be reasonable in a district where all allotments have been worked out and are stabilized, with carrying capacity and seasonal use determined and understood, would be excessive on a range where these problems still required adjustment. It thus becomes obvious that the rate which may be charged on the public domain must at the outset be much more moderate than those now charged on the national forests, just as the fees originally charged on the national forests when the ranges were being brought under administration, allotments determined, and carrying capacity and seasonal use worked out, were only a fraction of what they are today. Finally, it is realized that underlying the entire system must be this basic economic principle that the user of the range must be given conditions and terms of use which will enable him to secure for his labor and capital invested a return at least equivalent to that earned by the labor and capital of other stockmen who own or lease lands in private ownership. The natural workings of economic forces, therefore, thus establishes a maximum beyond which a higher fee is destructive both to the livestock industry and to the accomplishment and purposes of the district. *Administrative costs do not provide a satisfactory yardstick.* If a fee covering such cost fails to allow the permittee an economic opportunity equivalent to that of his competitors using privately owned or leased land, it must be reduced to a rate which will allow that opportunity, and any additional costs must be borne by the general public. Upon the other hand, on a district having more favorable conditions the same fee might give the permittees an economic opportunity entirely out of line with that enjoyed by his competitors. This illustrates the need of complete coordination of fees based upon the actual value to the permittees, to the end that the returns from the better range may make it possible to rehabilitate the poorer ranges and deal justly with all the permittees without imposing an unnecessary burden upon any permittee or upon the general public.

⁴ H. Rep. No. 903 on H.R. 6462, 73d Cong., 2d sess., p. 3; report of Department of the Interior on H.R. 6462, dated June 2, 1933, incorporated in H. Rep. No. 903 — Hearings on H.R. 2835 and 6462, House Public Lands Committee, 73d Cong., 1st and 2d sess., p. 12.

⁵ The only differences in the first sentence were the use in H.R. 11816 of "homesteaders" in place of bona fide settlers," in the omission from the bill of "in each case" after "reasonable fees," and the inclusion in the bill of "under his authority" after "from time to time"; and the only difference in the second sentence was the omission from the bill of "for such depletion period" after "fees."

"It would be unfair to the members of your committee if I should lead you to conclude from the foregoing that it would be possible to satisfactorily extend such a system of grazing districts over a large part of the now unregulated public domain, and at the same time have the system from the outset self-supporting. I do not believe that it is practical to do this and at the same time secure the hearty support and approval of the livestock industry in the West. Even if economic conditions should be immediately reestablished upon the basis which we have been accustomed to consider normal,' with the higher prices, better credit conditions, and more hopeful spirit which accompanied such normal times, it would still be unreasonable to expect the stockmen to pay a substantial fee for the use of public ranges of the West in their present condition. Fees must be paid from profitable returns and there cannot be profitable returns in any great volume until overgrazing is stopped, basic improvements for orderly use provided, and allotments and satisfactory plans of range management worked out. I am sure, however, that the stockmen will be found willing to contribute immediately toward such improvements and betterments generally from labor in a generous degree. The growth of the establishment of districts and the extension of this system under present depressed conditions will naturally be slow, but some advancement is better than no progress. Furthermore, the first necessary steps would be taken in building a trained organization and getting the experience which would be of tremendous value in speeding up progress when conditions return to normal." (Emphasis added.)

This excerpt seems to establish beyond much question that the draftsmen of section 3 in H.R. 11816 had in mind the fixing of fees in relation to the value to stockmen and rejected administrative costs as a yardstick.⁶ In the absence of clear evidence to the contrary, it may be argued that in eventually adopting this language, Congress had the same intention.

The only evidence throwing doubt upon this conclusion is the fact that in testifying before the House and Senate Public Lands Committees on H.R. 6462, on behalf of this Department, Secretary Ickes and Assistant Solicitor Poole asserted that the Department expected to derive from the act "just the expense of operation. We are not trying to make any money out of it."⁷ "we have no intention of making this a revenue producer at all. We would like for the range to pay for its own administration but nothing more."⁸ "We have stated repeatedly it was not the intention of the Department to make his a revenue-producing measure."⁹ Nothing else of significance on the question was said in the hearings or in the debates on the measure.

The most that may be said of the testimony of Secretary Ickes and Assistant Solicitor Poole is that it evidenced an administrative intent to exercise the discretionary authority to charge "reasonable fees" in such a manner that the receipts would not exceed the cost of administering the act. Their statements did not purport to construe section 3 as limiting the authority of the Secretary in the fixing of reasonable fees. Consequently, the statements seem to furnish no basis for inferring a congressional intent to limit fees to the costs of administration or to require that fees be fixed upon that basis.

In practice, grazing permit fees have been charged at the same rates as license fees, and in no year during the period of the collection of fees has the total revenue from this source paid into the Treasury as miscellaneous receipts even approached the costs of administration. Consequently, it can reasonably be said that there has been an administrative construction that fees need not be based upon costs of administration. Since Congress has continued to make appropriations from receipts for range improvement purposes, it may also be said, under the reasoning in the *Brooks* case, that Congress has approved this administrative construction.

⁶ That this intent was carried over into H.R. 6462 is demonstrated not only by the fact that H.R. 6462 was expressly recognized as being the same legislation as H.R. 11816, but also by the fact that in addition to employing practically the same language in section 3 (see footnote 5, *supra*), the author of H.R. 6462 added the following underscored words in the phrase: "upon the payment annually of reasonable fees in each case to be fixed or determined from time to time." As already pointed out, the concept of a fee which would vary according to the circumstances of a case is incompatible with the notion of a fee fixed on the basis of administrative costs.

⁷ Secretary Ickes, Hearings on H.R. 2835 and 6462, p. 16; see *fn. 4, supra*.

⁸ Secretary Ickes, Hearings on H.R. 6462, Senate Public Lands Committee, 73d Cong., 2d sess., p. 15.

⁹ Assistant Solicitor Poole, *ibid.*, p. 103.

III.

For the foregoing reasons, and as previously indicated, it is my opinion that section 3 of the Taylor Grazing Act authorizes the imposition of any fees which are reasonable in view of the broad purposes of the act. The cost of administration, of course, is a factor which may be considered, but it is not the controlling factor. It does not fix either a floor or a ceiling with respect to grazing fees.

(Sgd.) MASTIN G. WHITE, *Solicitor*.

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SOLICITOR,
Washington 25, D.C., August 14, 1961.

F-61-2138.10,

To: Director, Bureau of Land Management

From: Associate Solicitor, Division of Public Lands

Subject: Interpretation of section 3, Taylor Grazing Act (43 U.S.C. 315b)—grazing and range improvement fees—your memorandum 6.04c

You have requested the opinion of this office as to the proper interpretation of the provisions of Section 3 of the Taylor Grazing Act (43 U.S.C. 315b) as amended, relating to fees. That section requires "the payment annually of reasonable fees in each case to be fixed or determined from time to time, [*and in fixing the amount of such fees the Secretary of the Interior shall take into account the extent to which such districts yield public benefits over and above those accruing to the users of the forage resources for livestock purposes. Such fees shall consist of a grazing fee for the use of the range, and a range improvement fee, which when appropriated by Congress, shall be available until expended solely for the construction, purchase, or maintenance of range improvements.*]"

The matter contained in the square brackets was added to the Act by Public Law 376, 80th Cong., 1st Sess., August 6, 1947. (61 Stat. 790).

There is no need the belabor the obvious meaning and intent of Congress with respect to its language authorizing the charging of a range improvement fee. This was designed to make the costs of constructing, maintaining and purchasing range improvements entirely self-sustaining and wholly independent of the additional charge for the grazing use of the range. The balance of this memorandum, therefore, is addressed to the question of what is meant by the use of the term "reasonable fee" and its qualifying language.

The intent of Congress with regard to the grazing fees to be charged emerges from a study of the background and legislative history of this 1947 amendment to the Taylor Grazing Act.

It will be noted that the original language of the Taylor Grazing Act required only the payment of a "reasonable fee" for the privilege of grazing livestock.

The following excerpt from a memorandum dated May 7, 1932, to the Secretary of Agriculture from R. Y. Stuart, Forester, which is incorporated in the Report of the Committee on the Public Lands, House of Representatives, 72d Cong., 1st Sess., June 27, 1932, H. Rep. 1719, to accompany H.R. 11816, a predecessor of the bill which was enacted in 1934, sheds light on the original intent of Congress in using the "reasonable fee" language:

Some effort was made to work out and embody in the bill some principle for the establishment of fees, or a statement of the rate or rates to be charged under given conditions. This was found to be impractical. What would be reasonable under one set of circumstances would be unreasonable and excessive under another. After all, it was believed to be best to leave this to the discretion of the Secretary of the Interior, with the provision, however, that fees "must be reasonable." The departmental representatives, of course, realize that a fee which would be reasonable on improved and stabilized range would be unreasonable if applied to a depleted, or impoverished range; also that a fee which would be reasonable in a district where all allotments have been worked out and are stabilized, with carrying capacity and seasonal use determined and understood, would be excessive on a range where these problems still required adjustment. It thus becomes obvious that the rates which may be charged on the public domain must at the outset be much more moderate than those now charged on the

national forests, just as the fees originally charged on the national forests when the ranges were being brought under administration, allotments determined, and carrying capacity and seasonal use worked out, were only a fraction of what they are today. Finally, it is realized that underlying the entire system must be this basic economic principle that the user of the range must be given conditions and terms of use which will enable him to secure for his labor and capital invested a return at least equivalent to that earned by the labor and capital of other stockmen who own or lease lands in private ownership. The natural workings of economic forces, therefore, thus establishes a maximum beyond which a higher fee is destructive both to the livestock industry and to the accomplishment of the purposes of the district. Administrative costs do not provide a satisfactory yardstick. If a fee covering such cost fails to allow the permittee an economic opportunity equivalent to that of his competitors using privately owned or leased land, it must be reduced to a rate which will allow that opportunity, and any additional costs must be borne by the general public. Upon the other hand, on a district having more favorable conditions the same fee might give the permittee an economic opportunity entirely out of line with that enjoyed by his competitors. This illustrates the need of complete coordination of fees based upon the actual value to the permittees, to the end that the returns from the better range may make it possible to rehabilitate the poorer ranges and deal justly with all the permittees without imposing an unnecessary burden upon any permittees or upon the general public.

It would be unfair to the members of your committee if I should lead you to conclude from the foregoing that it would be possible to satisfactorily extend such a system of grazing districts over a large part of the now unregulated public domain, and at the same time have the system from the outset self-supporting. I do not believe that it is practical to do this and at the same time secure the hearty support and approval of the livestock industry in the West. Even if economic conditions should be immediately reestablished upon the basis which we have been accustomed to consider "normal" with the higher prices, better credit conditions, and more hopeful spirit which accompanied such normal times, it would still be unreasonable to expect the stockmen to pay a substantial fee for the use of the public ranges of the West in their present condition. Fees must be paid from profitable returns and there cannot be profitable returns in any great volume until over grazing is stopped, basic improvements for orderly use provided, and allotments and satisfactory plans of range management worked out. I am sure, however, that the stockman will be found willing to contribute immediately toward such improvements and betterments generally from labor in a generous degree. The growth of the establishment of districts and the extension of this system under present depressed conditions will naturally be slow, but some advancement is better than no progress. Furthermore, the first necessary steps would be taken in building a trained organization and getting the experience which would be of tremendous value in speeding up progress when conditions return to normal.

The legislative history of the 1947 amendment to Section 3 of the Taylor Grazing Act, H. Rep. 890, 80th Cong., 1st Sess., July 11, 1947, incorporated a letter dated July 8, 1947, from the Secretary of the Interior to the Chairman, Committee on Public Lands, House of Representatives. In it the Secretary stated: "The requirement in Section 3 that fees in connection with grazing districts be reasonable would remain unchanged * * *." Further on, the Secretary stated ". . . on the basis of present fees and rentals, the moneys remaining in the Treasury, after the States have received their share . . . would approximately equal that share of the cost of administering the range which the study of the Bureau of Agricultural Economics in its report on the allocation of range costs concluded is properly chargeable to the livestock operators."

What Congress intended by the continued use of the "reasonable fee" language as of 1947 is further clarified by the Committee's explanation of the bill. As the Committee said in H. Rep 890, *supra*.

The intent of this bill is to bring into the Federal Treasury sufficient income from grazing fees charged on public lands administered under the Taylor Grazing Act of June 23, 1934 (48 Stat. 1269) as amended June 26, 1936 (49 Stat. 1976), to cover the cost of such administration.

This is accomplished (1) by assessing a separate grazing fee for the use of the ranges and a range improvement fee to be used in improving the ranges; (2) by amending section 10 to provide that the States will receive only 12½ percent

of the grazing fees from grazing districts instead of 50 percent of the total fee as at present.

This bill, by abolishing the present single "reasonable fee" for use of the grazing districts and establishing two separate fees, one for grazing and one for range improvement, will leave in the Federal Treasury after distribution of the States' share, an income approximately equal to the cost of administration. This has not been true for several years under the present method. Another advantage is that by establishing a separate range-improvement fee, it provides a practical administrative basis for charging a sufficient amount in each grazing district to meet the range-improvement needs of that particular district.

This bill does not authorize any increase in Federal appropriations, but on the other hand, provides for funds to offset appropriations for the proper administration of the Grazing Service of the Bureau of Land Management.

Subsequent to this 1947 amendment Congress enacted a general bill relating to fees and charges of Federal agencies. It is found in Title V of Public Law 137 (65 Stat. 290, August 31, 1951; 5 U.S.C. 140). In pertinent part this act provides:

It is the sense of Congress that any * * * privilege * * * use * * * license, permit * * * furnished, provided, granted, prepared, or issued * * * to or for any person * * * shall be self-sustaining to the full extent possible, and the head of each Federal agency is authorized by regulation * * * to prescribe therefor such fee, charge or price * * * as he shall determine * * * or redetermine * * * to be fair and equitable taking into consideration direct and indirect cost to the Government, value to the recipient, public policy or interest served, and other pertinent facts * * *. *Provided* * * * That nothing contained in this section shall repeal or modify existing statutes prescribing basis for calculation of any fee, charge or price, but this proviso shall not restrict the redetermination or recalculation in accordance with the prescribed basis of the amount of any such fee, charge, or price.

This statute must be read as a requirement by Congress that within the criteria established therein, fees authorized by other statutes wherein the basis for calculation or determination is prescribed should be recalculated or redetermined to make the function which they cover self-sustaining to the full extent possible.

We turn now to the meaning of the specific language alluded to by you in the subject memorandum; namely that, in establishing a reasonable fee the Secretary of the Interior "shall take into account the extent to which such districts yield public benefits over and above those accruing to the users of the forage resources for livestock purposes."

The legislative history affords little assistance. The latter of the Secretary which was incorporated into H. Rep. 890, *supra*, simply quotes the language as a recognized factor in establishing grazing fees. The clue to its meaning, however, is found in the report of Rex. L. Nicholson entitled "Proposal for Execution, Reorganization Plan No. 3," dated November 9, 1946. This report was referred by the Secretary in his letter to Congress, *supra*, and had been prepared at the Secretary's request. In Part III of the Report Mr. Nicholson made certain specific recommendations. Among them was the following, pp. 26-27:

Since the Taylor Grazing Act is a conservation of resources measure and not intended by Congress to be a revenue producing, a thorough study should be made to determine what portion of the total cost of administering the act should be charged against grazing and what should be charged against other benefits of a more general public nature.

In other words, the statutory requirement that the Secretary, in establishing reasonable grazing fees, take into account the extent of the benefits yielded by grazing districts to the general public over and above those accruing to the grazing users, was intended to be a limiting or reducing factor on the amount of the cost of administering grazing districts which could be recovered out of the grazing fee. Thus, for instance, if the hunting or fishing public or the wildlife conservation interests benefited from the administration for grazing purposes of a grazing district, then the amount which is to be charged as a grazing fee should be reduced commensurably with the degree of benefits received by such other interests.

The established interpretation by this Department of the Taylor Grazing Act, as shown by the language and the legislative history, is that the Act was not intended to be a revenue producing measure. Nicholson Report, *supra*, Part IV. p. 15.

However, Congress has made it clear that the administration of grazing on the public lands should to the full extent feasible be self-sustaining through the establishment of adequate grazing fees to cover the costs of administration; subject, however, to the limitation that the total cost of such administration chargeable to the livestock users should be reduced by the amount that other interests or classes of users are benefited therefrom; and subject to the further limitation that, regardless of the cost of administration, at no time shall the grazing fee be so high that the users return on his labor and investment is reduced below that realized by the labor and capital of other stockmen operating on privately owned or leased lands. Of course what factors or elements are properly chargeable as administrative costs is a matter for administrative determination in the first instance, from time to time; nor would the Bureau necessarily be restricted to those specific factors spelled out in the Bureau of Agricultural Economics' report.

THOMAS J. CAVANAUGH, *Associate Solicitor,*
Division of Public Lands.

Mr. ASPINALL. When the Public Land Law Review Commission was so close to reporting its studies on raising of the fees, why did the agencies preempt the Congress by invoking the new fee schedule when they did?

Mr. CLIFF. Mr. Chairman, I cannot answer that yes or no. This fee study had been underway for 9 full years. It was an immense amount of detailed work. We originally set a target date to complete the job in 1966. The analysis was not completed then and we set a target date of 1967. The Forest Service was ready to move in 1967 on the basis of the surveys that had been completed, but there was still lack of agreement on whether there should be variable fees or a single base fee for the whole country. That was subjected to further review, and the November 1968 proposal was the first time that we were able in this period to come to agreement and make a proposal. We recognized that the Public Land Law Review Commission was functioning and that they were studying the overall matter of grazing on the public lands. We also recognized that there had been numerous suggestions whenever we have had to make some tough administrative decisions that the proposals are made by one group or another to postpone action until the Public Land Law Review Commission has finished its report.

We have not deferred action on other administrative matters, and it was our understanding that the Public Land Law Review Commission did not intend that administrative action be stopped, but that the administration of these public lands would continue.

Mr. ASPINALL. Did you lose faith in the Congress so that you decided that here was a good time to go ahead and, although you had been working very closely with the chairman of this committee and its members, and once upon a time—it might have been unwise, but once upon a time, you deferred to the requests of this committee through its chairman not to impose these fees at a certain time. Did you lose faith in Congress, then, that perhaps this was the best time to go ahead and take care of this because of the difficulties that always arise when you establish a new fee system for something?

Mr. CLIFF. No; I do not think that was in the picture as far as I was concerned, Mr. Chairman. This is a difficult thing, and to be perfectly frank, we had a hard time facing up to it.

When we got into it, I wanted to get the job done, and I am glad now that it is out in the open and that the issues are out on the table so that they can be looked at from all sides.

Mr. ASPINALL. You say this even though you and I have worked together for over 10 years now? We have been pretty harmonious in our relationships. I am going to be easy on you because the decision was made at the upper level. But you say this because you have an understanding committee up here, and yet, between the time when we adjourned our committees and the Congress last fall and the time when a new Congress could have cognizance over what you were doing, because of the situation that prevailed from January 3 to January 20, the order was issued in spite of all this cooperation that we have had in the years past. Is that not right?

If you do not want to answer, you do not have to answer. That is a rather difficult question.

Mr. CLIFF. It is correct, Mr. Chairman, that the order was issued on January 14, after this long period of study. I appreciate our relationship with this committee and with you, Mr. Chairman. It was not in defiance of this committee at all. It was in a desire to get a job done that needs to be done, in my opinion.

Mr. ASPINALL. Now, Mr. Rasmussen, is your answer relatively the same thing?

Mr. RASMUSSEN. It is.

Mr. ASPINALL. I now yield to my good friend from Iowa.

Mr. KYL. Because of the questions you asked, Mr. Chairman, I wanted to ask Mr. Rasmussen, on page 10 of his statement, just below the middle of the page, you say, sir, "The Interior Solicitor has stated that."

Was this an official interpretation by the Solicitor and at what time, sir?

Mr. RASMUSSEN. This was the Solicitor's view during the period that we were reviewing this statement.

Mr. KYL. This was Mr. Weinberg?

Mr. RASMUSSEN. Yes, sir.

Mr. KYL. It was an official opinion rendered, in writing, at the time?

Mr. RASMUSSEN. It depends on what you call an official opinion. It was a suggestion based on my statement before this committee. It was in writing.

Mr. KYL. In other words, you think that this was an offhand statement, rather than an official interpretation of a question put to him?

Mr. RASMUSSEN. It could be interpreted as that.

Mr. KYL. Thank you, Mr. Chairman.

Mr. ASPINALL. Mr. Rasmussen, which act or legal authority did the agencies use in arriving at their position on the new grazing fee schedule? Was it the Taylor Grazing Act as such or was it the Independent Offices Appropriation Act of 1952?

Mr. RASMUSSEN. I had a little trouble hearing you, Mr. Chairman.

Mr. ASPINALL. I say, which act or legal authority did the agencies use in arriving at their position on the new grazing fee schedule? Was it the Taylor Grazing Act as such—this applies now only to the BLM—or was it the Independent Offices Appropriation Act of 1952?

Mr. RASMUSSEN. I believe it would be both.

Mr. ASPINALL. Mr. Cliff, would there be any logical objection to all users paying fair market value for the use of public land resources? This would be the graziers, the miners, the water users, the timberers, the recreationists, and so forth, beyond any license for having fun?

Mr. CLIFF. Mr. Chairman, it is our policy now to charge all commercial users of the national forests fair market value. This is the policy we are following in connection with our resort permits, with our timber sales, and with other uses where there is a commercial use made of the national forests. I would have to give a lot of thought to the answer to that question about water users. This is a complex question, and I do not want to commit myself on that.

Mr. ASPINALL. The question of property rights comes in there. Also, the question of recreationists. What right do they have to go upon your lands without paying for that?

Mr. CLIFF. The commercial recreation user is paying and our policy is to charge the fair market value for that use. The individual user pays if he is getting special services. We have had a charge system for them. The user that just walks across the national forest land to fish and hunt or for similar activities, we have made no effort to make a charge.

Mr. ASPINALL. Do you have anything you want to add, Mr. Rasmussen?

Mr. RASMUSSEN. No.

Mr. ASPINALL. The last question at this time, Mr. Chairman, is of Mr. Cliff.

What was the recommendation of the Secretary of Agriculture to the committee on multiple use of national forests relative to grazing fees in December of 1967, 13 months prior to the issuance of the order?

Mr. CLIFF. I think we have already discussed that. Their recommendation was that the permit value, the cost of carrying the permit value be recognized in setting the fees.

Mr. ASPINALL. In 1967?

Mr. CLIFF. I believe that is right; 1967 was the meeting at which this was reviewed by the advisory committee.

Mr. ASPINALL. If I said that it was the unanimous decision on these grazing fees at the 1967 level to allow fees to be adjudicated only in accordance with the old formula, and it was further recommended that all 15 cost items, including the capitalized dollar market value of the grazing permit, be included in considering any modernized view of the grazing formula, I would be wrong?

Mr. CLIFF. No; I think that is the essence of the recommendation of the advisory committee.

I would like to editorialize a bit on this. This is a very fine advisory committee. It is made up of responsible people with various experiences, various interests in the national forests. We have a high degree of respect for this committee. There are two stockmen members on it, one of whom is in the room. They make recommendations on a great many things. Their function is advisory. They make some recommendations that we accept and they make some that we do not accept, but we give careful consideration to all of them. This is one recommendation that we did not accept.

Mr. ASPINALL. Are your advisory committees and councils and agencies as strong today as they were 25 years ago in cooperation with your organization?

Mr. CLIFF. Yes, sir; I think they are. I think they are even stronger. We have made an effort to make greater use of them in recent years.

Mr. ASPINALL. I reserve the balance of my time, Mr. Chairman.

Mr. BARING. The gentleman from Pennsylvania.

Mr. SAYLOR. Thank you, Mr. Chairman.

First, let me congratulate each one of you—Mr. Train, Mr. Rasmussen, and Chief Cliff—for the statements that you have given to us.

There has been referred to by the chairman of the full committee the 15 items that were included? Do you have them?

Mr. CLIFF. Yes, sir.

Mr. SAYLOR. Can we get them in the record here? What are those 15 items?

Mr. CLIFF. The 14 items that exclude—

Mr. SAYLOR. No; let us take the 15 items the chairman referred to.

Mr. CLIFF. All right. The items that have been referred to are listed, 1 to 14, in the attachment at the end of my prepared statement. The 15th item, which was not included in the fee calculation was the capitalized value of the grazing permit.

Mr. SAYLOR. Now, let us look at that schedule. I expect both Chief Cliff and Mr. Rasmussen to answer these questions.

There is a list that says that combined public costs. Now, I note the omission of the word, "combined," from private costs—is that deliberate?

Mr. CLIFF. The combined public cost is the combined cost for operating on both Forest Service and BLM lands as determined from this survey. These are all average costs for these various items. The private costs were the average private costs of operating on the privately owned lands that were analyzed in the survey.

Mr. SAYLOR. Are they also the combined costs?

Mr. CLIFF. Well, we were working with a single universe of private costs.

Mr. SAYLOR. Now, why did you list the combined public cost of 60 cents for lost animals on public lands, only 37 cents on private lands?

Mr. CLIFF. Mr. Saylor, this whole study was in an effort to determine the difference in cost of operating on private land as compared with public land. As I stated in my testimony, there was a large number of questionnaires; 14,000 of them, approximately, went to the grazing users and they were asked what their costs were for operating on private land, if they had private leases, and what they were on public lands. I think there were something like 4,000 respondents that furnished information on the private costs.

Mr. SAYLOR. How many of those, Chief, how many people furnished reports on the Forest Service land?

Mr. CLIFF. It was approximately 6,000.

Mr. SAYLOR. Mr. Rasmussen, how many furnished reports on BLM lands?

Mr. RASMUSSEN. Slightly more than 3,800.

Mr. CLIFF. I could give you the exact figures. I would be glad to supply them for the record. But together, there were about 10,000. Now, the difference between the 60 cents and the 37 cents indicates that the cost of operating on the public lands, the cost for lost animals, was greater than the lost animal costs on private lands. Similar comparisons can be made for these other items of cost of operating on the different categories of land.

Mr. SAYLOR. Now, I am interested in the second item that you have read. In other words, I would gather from this that people who raise

cattle on private lands do not belong to any association. Is that correct?

Mr. CLIFF. No; that is not correct.

Mr. SAYLOR. In other words, most of those people, as near as I am able to determine, have both private and public land operations, and most of them belong to the same association. Why did you not charge 8 cents for cattle and 4 cents for sheep, as the association charges? Why did we give them a free ride on that?

Mr. CLIFF. I cannot answer that, Mr. Chairman, except to say that we, these costs were calculated as they were derived from the questionnaires.

Mr. SAYLOR. All right. It is very interesting to notice that—

Mr. CLIFF. Mr. Saylor, could I correct that? My colleague in the back informs me that these were forest associations set up specifically to assist the Forest Service in the management of the range. They are not the typical livestock association.

Mr. SAYLOR. Mr. Rasmussen, the same thing in BLM?

Mr. RASMUSSEN. These are grazing association user costs.

Mr. SAYLOR. I have heard all about the tremendous costs and the excuse that we are going to get that it costs more money to move these cattle on public domain, that is why you should not increase the cost. It is rather interesting to see that item No. 4 has approximately 10,000 returns in saying it cost more to move them on private land than it did on public land. Is that correct?

Mr. RASMUSSEN. This is what the survey indicated.

Mr. SAYLOR. Nobody has challenged these figures, Mr. Rasmussen. Has anybody in the associations or the cattlemen's clubs figured that these were wrong?

Mr. RASMUSSEN. No, sir.

Mr. SAYLOR. Now I come to the next item that says, "Herding." It says that it costs 46 cents to herd on public land and only 19 cents on private land. For sheep, \$1.33 against \$1.16. Can you tell us why that wide discrepancy?

Mr. CLIFF. Yes, I think I can explain that, because on many of the private leases that were studied, they were more completely fenced than the public lands, and it required less herding so that the cost was lower. This applied to sheep as well as to cattle.

Mr. SAYLOR. I just had a remark from one of my colleagues that says there are not as many coyotes down in the bottoms as there are in the timber.

Well, that may be true. It might be that we will probably find out why the Interior Department had charged the cost of all the people they have out hunting coyotes against this item, too, and charged the private outfit with a share of that.

Now, the next item is rather interesting. That is salting and feeding. Apparently, they feed a little bit better on the public domain than they do on private land. Your 10,000 reports says it only costs them 56 cents to salt and feed, but it costs 83 cents in the area that is fenced in so well that the cattle cannot get out and get lost. How do you explain that?

In other words, the only conclusion I can come to here is that you must provide them better forage than they have on their own private land.

Mr. RASMUSSEN. No; it is not that. Some of the private lessees do supplemental feeding and they salt with mineral supplements, which is not generally as common a practice on many public ranges.

Mr. SAYLOR. Now, the next item is really one that is amusing. Even though they say it costs more to move livestock to and from private lands, they say that to travel, when you travel to and from your allotment, it costs more on public land than it does on private land. Have you ever realized this inconsistency as you have tried to analyze your report?

Mr. CLIFF. I do not think it is an inconsistency, Mr. Saylor.

Mr. SAYLOR. Well, if it were only a penny difference, I would agree with you, but we have this 7 cents here. This is quite an item.

Mr. CLIFF. The public ranges generally are at some distance from the home ranch, and there is frequent travel. A man that is taking care of his range has frequent travel to look after his livestock or help look after it. We saw no reason to question these items.

As a matter of fact, there was no disagreement between us and the livestock industry on these items.

Mr. SAYLOR. Well, the next item, No. 8, is water. Apparently, you provide them better water, because they decided they would charge 8 cents for water, but on private lands, they only charge 6 cents.

Mr. CLIFF. That is the cost of developing. It represents the cost to the permittee of providing watering places for livestock. In many cases, the permittees do invest money in developing waterholes, windmills, troughs, other watering devices, and this is reflected both in this item and in the maintenance items, where they maintain these improvements once they are in.

The same comment could be made about the fencing.

Mr. SAYLOR. Do not get ahead of me, Mr. Cliff, because I am going to ask you about the numbers that just keep going across there. I was waiting for that kind of an answer, but you sort of let yourself into a trap, because when it comes to sheep, they say it costs more to give water to sheep on private land than on public land. So it is a rather inconsistent setup here.

Mr. CLIFF. Well, it is rather close.

Mr. SAYLOR. Close, but when you know enough to talk about this tremendous cost based on the increase that will put people out of business, you have to look at the little things that put you out of business.

Now, then, No. 12, development depreciation. I wonder what they depreciate? What do they put on public domain lands at 11 cents for cattle and 9 cents for sheep, but on their own lands, they say it is only 3 cents and 2 cents? Might it be that the tax boys look at it a little closer, the Internal Revenue boys, Judge Train, with your background on the Ways and Means Committee years ago? Might you be able to shed some light on this?

Mr. TRAIN. I am afraid not, Mr. Saylor. I have no information on this, or experience.

Mr. CLIFF. These figures represent the data that was developed by the surveys from questionnaires. They were stratified by size classes and analyzed in that manner. We think that they are a fair representation of what came out of the survey for these various cost items. We think the survey, Mr. Saylor, was a sound survey. It was well con-

ducted, and we have no reason to question the total results that came from it.

Mr. SAYLOR. All right. Let us look at No. 14. I gather that they say it costs \$1.79 plus all these other charges for cattle and \$1.77 for sheep on private lands.

Mr. CLIFF. That is correct.

Mr. SAYLOR. For a lease. And the total cost, as shown by your report, is \$4.54 for cattle and \$5.66 for sheep on private lands as compared to \$3.28 for cattle and \$4.53 for sheep on the public domain. Is this correct?

Mr. CLIFF. That is correct.

Mr. SAYLOR. All right. So that the difference you weighted and came up with because of the closeness between \$1.26 and \$1.13, you weighted it to \$1.23 and made it just one fee. Is this correct?

Mr. CLIFF. That is correct.

Mr. SAYLOR. Now, I note that on the bottom of your paper, both you and Mr. Rasmussen, you have the average permit value assigned for permittees for BLM foraging permit was \$14.40 per animal unit month. You did not have any, apparently, separate report, Mr. Cliff, for Forest Service; is this correct?

Mr. CLIFF. Yes; we have a separate report. It amounts to about \$25 per AUM for cattle and about \$19 per AUM for sheep, with five sheep equaling one cow.

Mr. SAYLOR. It has been called to my attention that on your statement, there is an average permit value assigned by permittees for Forest Service cattle as \$25 per animal unit month.

Mr. CLIFF. That is correct.

Mr. SAYLOR. As determined from the survey. How do you account for that \$10.59 difference?

Mr. CLIFF. That just happens to be the amount that the survey revealed, that the permittees said they had paid for their permits during the period, 1961 to 1966, a 5-year period. The questionnaire asked the respondents to state if they had been given a permit in the last 5 years, what they paid for it.

We also sent questionnaires to 218 lending institutions and asked them if they were using the permit value as collateral. And we got responses from 117 lending agencies. Some 47 of them said they had been using the permit value as collateral in making loans. The answers to the questionnaires are the source of the \$25. It represents what the respondents to the questionnaires revealed they had actually paid to some second party, the permit value in the 5-year period preceding the survey.

Mr. SAYLOR. Mr. Rasmussen, did you submit similar questions to lending institutions?

Mr. RASMUSSEN. We did, and the result was that 38 institutions indicated they had been using BLM permits as collateral in making loans.

Mr. SAYLOR. How many institutions did you submit questions to and how many answers did you get?

Mr. CLIFF. They all went to the same—this was a joint survey, Mr. Saylor. The questionnaires went to the same banking institutions.

Mr. SAYLOR. Now, Mr. Cliff, do you believe that the difference might be explained by the fact that you have some leases, from infor-

mation that I have received, for 19 cents per animal month, you have others for \$1.64 per animal unit month? Do you think this widespread differential in the Forest Service might explain the increased value that you have to some of the lending institutions that were lending. The man who was paying \$1.64 an animal unit month certainly thought he had a pretty good deal, and the bank thought he had a pretty good deal?

Mr. CLIFF. I think it would work in the opposite direction, Mr. Saylor. We think that this permit value has grown up largely because of the fact that they had been paying less than market value for the grazing on the National Forests. The cheaper the fee, the greater the market value that might accrue, if our theory is correct.

Mr. SAYLOR. Then, Mr. Cliff, you are condemning yourself, saying that you and the people under you have not been doing a very good job, because you have allowed people to use this public property without paying fair market value for it. Is that not a fair conclusion?

Mr. CLIFF. I do not agree exactly to those words, that we have not been doing a good job, sir. But I think that if we are to be criticized, we should be criticized for not getting on top of this situation earlier.

The spread between fair market value and what we have been actually receiving for grazing fees has been widening. We feel that there has been a very definite appreciation in permit values in the past 20 years. Over half of our permittees have held their permits for 20 years or more and, during this period, the indications are that these values have appreciated by about 100 percent.

Mr. SAYLOR. In that period of time, Mr. Cliff, Mr. Rasmussen, you are going to be asked the same question, so you can answer right along with him. In that period of time, particularly the last 5 years, as you have renewed these permits, have you reduced the animals that are permitted to run the range under these leases?

Mr. CLIFF. Yes, sir. I think the stockmen present will tell you that we have made reductions on the basis of trying to get proper stocking and good management on the ranges.

In recent years, I am happy to say that permitted numbers have been stabilized. We are making progress in getting good range management on these ranges. We have made a strenuous effort and we have had cooperation from the stockmen in this effort.

But over the years we have made some rather substantial reductions and not without a little blood, sweat, and tears, I assure you.

Mr. SAYLOR. Mr. Rasmussen, what is your answer to that question?

Mr. RASMUSSEN. I think in the last 5 years the total number has been about the same, although there have been reductions in various places.

Mr. SAYLOR. And BLM has been consistent, however, in charging the same for—that is, 33 cents per animal unit month—over all this period of time; is that correct?

Mr. RASMUSSEN. Not all this period of time, but we have charged the same unit price. In other words, it is 33 cents an AUM for the last 3 years—since 1966.

Mr. SAYLOR. Now, there is no requirement that any stockman who gets a permit to graze must run cattle or sheep on either BLM or forest land; is this correct?

Mr. RASMUSSEN. That is correct.

Mr. CLIFF. I would like to comment on that, Mr. Saylor. We do have a requirement that if they do not run their cattle or sheep for a period of 3 years without getting approval for the nonuse, their permit might be subject to forfeiture. But we have been very liberal in approving nonuse.

Mr. SAYLOR. I have not gotten up to the 3 years yet. I heard that you had a provision for 3 years. But if any cattleman decided that for the benefit of the range, he might like to let it grow back a little bit, there is nothing that would cause him to lose his permit for a period up to 3 years and longer if he gets permission of the Forest Service or BLM; is this correct?

Mr. CLIFF. That is correct for the Forest Service.

Mr. SAYLOR. And if a cattleman has that right to run cattle and does not run cattle, what are the charges?

Mr. RASMUSSEN. If he has authorized nonuse, there is no charge.

Mr. SAYLOR. If he has a nonuse, there is no charge for BLM. Is that the same for Forest Service?

Mr. CLIFF. That is correct.

Mr. SAYLOR. There is no member of this committee for whom I have more respect than the chairman of the full committee, but I have to take umbrage with him a little bit on the question of timing.

Mr. Rasmussen, in your statement on page 3, is it a correct statement of fact that in 1958, the Comptroller General recommended a joint study of arriving at a uniform base between BLM and the Forest Service?

Mr. RASMUSSEN. It is correct.

Mr. ASPINALL. Would my colleague yield so we can keep the record straight?

Mr. SAYLOR. I shall be happy to yield.

Mr. ASPINALL. Who was it, Mr. Rasmussen, that asked for the study to start?

Mr. RASMUSSEN. You did, sir.

Mr. ASPINALL. All right.

Mr. SAYLOR. Now, following that, the Bureau of the Budget in 1959 made a request that this go ahead. Is this correct?

Mr. CLIFF. The Bureau of the Budget in 1959 wrote a memorandum setting forth a policy for all Federal agencies on user charges and enunciated the policy of getting fair market value for use of natural resources.

Mr. SAYLOR. Then in 1959 and 1960, the chairman of this committee, the Honorable Wayne Aspinall, wrote to both the Secretary of the Interior and the Secretary of Agriculture, and suggested that there be a uniform approach by both agencies to studying this problem. Is that not correct?

Mr. CLIFF. Yes, sir.

Mr. RASMUSSEN. Yes, sir.

Mr. SAYLOR. Now, the reason I bring this out is that there has been some criticism that this program which got underway as a result of the chairman and the other people being interested happens to perhaps preempt for a short period of time what might occur when the Public Land Law Review Commission makes its report. The Public Land Law Review Commission is not due to make its report until the end of next year. So what you have is 2 years that will operate under

this present program, and there is nothing, as I understand it, in the present program that will interfere with Congress passing a law recommended by the Public Land Law Review Commission which would change any of the regulations now in effect. Is this not correct?

Mr. CLIFF. That is my understanding, sir.

Mr. SAYLOR. Now, then, I notice, Mr. Rasmussen, on the bottom of page 4, you have this very interesting sentence, and I wish my colleague from Utah were here. It says: "The study design was tested by Utah State University."

How did they test the design that was suggested in your 1966 re-study?

Mr. RASMUSSEN. I shall have to ask one of my colleagues.

This is Mr. Turcott.

Mr. TURCOTT. I am George Turcott, Deputy Assistant Director for Resources, BLM.

The model was preliminarily laid out by the Utah State University at the request of the Interagency Fee Committee. Development and testing was carried out through a joint BLM-FS contract with Utah State University. There are reports on this that can be furnished.

Mr. SAYLOR. Mr. Chairman, I would ask that a copy of this report be included in the file.

Mr. BARING. Without objection, it is so ordered.

(The document referred to can be found in the files of the subcommittee.)

Mr. SAYLOR. On page 6, Mr. Rasmussen, I gather that when the survey data was all completed, BLM asked Arthur Little & Co. to make a check on whether or not the findings which you had made were correct. Is this right?

Mr. RASMUSSEN. This is true.

Mr. SAYLOR. Did Arthur Little & Co. make such a survey?

Mr. RASMUSSEN. They did.

Mr. SAYLOR. Is that survey available?

Mr. RASMUSSEN. It is.

Mr. SAYLOR. Mr. Chairman, I would ask unanimous consent the report of the Arthur D. Little Co., made for BLM, be placed in the file.

Mr. ASPINALL. Reserving my right to object. I will not object. But I would like to have also the cost for each one of these things.

Mr. BARING. Without objection, it is so ordered.

(The information referred to by Mr. Saylor may be found in the files of the subcommittee and the information requested by Mr. Aspinall follows:)

U.S. DEPARTMENT OF THE INTERIOR,
BUREAU OF LAND MANAGEMENT,
Washington, D.C., May 29, 1969.

Mr. WILLIAM L. SHAFER,
Consultant, Committee on Interior and Insular Affairs,
House of Representatives, Washington, D.C.

DEAR MR. SHAFER: With the edited transcript of the hearing on grazing fees before the Subcommittee on Public Lands, Committee on Interior and Insular Affairs, House of Representatives, on March 4, 1969, we attached to page 182 a tabulation of costs related to the 1966 Western Livestock Grazing Survey. Apparently, this tabulation became detached en route. We enclose another copy of the tabulation.

Sincerely yours,

JOHN O. CROW,
Associate Director.

COSTS RELATED TO 1966 WESTERN LIVESTOCK GRAZING SURVEY

	BLM	FS
1. ERS study, 1961-----	\$54, 000	\$2, 500
2. Special studies, 1963, at Arizona, Montana, and Utah Universities-----	53, 000	2, 000
3. Utah State model study-----	None	2, 000
4. SRS contract, 1966-----	\$381, 000	\$381, 000
5. Utah State University, testing of impact-----	None	10, 000
6. Technical committee-----	22, 000	22, 000
7. Arthur D. Little Co. contracts-----	4, 800	None
Total-----	514, 800	464, 000

Mr. SAYLOR. Now, Mr. Cliff, did the Forest Service have either Utah State or Arthur Little make any surveys for them?

Mr. CLIFF. Yes, the study by Utah State was made for the Forest Service and the Bureau of Land Management.

Mr. SAYLOR. Is that the same one referred to by Mr. Rasmussen in his testimony?

Mr. CLIFF. Yes, sir.

Mr. SAYLOR. Did Arthur D. Little Co. make any survey or study for the Forest Service?

Mr. CLIFF. No, sir.

Mr. SAYLOR. Did any other company or any other persons outside of your own agency make a study for the Forest Service?

Mr. CLIFF. Yes. In my testimony, I referred to an analysis made by a team of experts from the Statistical Reporting Service, the Economic Research Service, representatives of the Departments of the Interior and Agriculture, to test the statistical adequacy of the basic data. It was from this study that the final conclusions were drawn.

Mr. SAYLOR. Mr. Chairman, I would ask unanimous consent that this survey report, together with its cost, be made a part of the file at this point.

Mr. BARING. Without objection, it is so ordered.

(The information referred to will be found in the files of the subcommittee.)

Mr. SAYLOR. Mr. Rasmussen, on page 7, about two-thirds of the way down in the first paragraph, there is this sentence:

The committee concluded that there was no statistical support from the 1966 Grazing Survey for a different fee base for cattle and sheep, or for Bureau of Land Management and Forest Service, or for variable fees within either agency.

I understand that that committee was made up of people from both agencies of government, others who have been referred to by both of you gentlemen in your testimony, and representatives of the cattle industry. Is that correct?

Mr. CLIFF. The SRS study, the study we referred to as the SRS study, was participated in by the members of the cattle industry in designing the study and furnishing the information. The analysis that was made in 1968 was not participated in by the livestock industry.

Mr. SAYLOR. Very well.

Now, there has been some question raised by members of the committee as to whether or not there is any legal justification for including as an item of cost the value assigned to permits, either in the Forest Service or in the Bureau of Land Management. Now, I notice on page

8, Mr. Cliff, at the bottom of the first complete paragraph, this sentence:

Beginning in 1905, the then Secretary's regulation 10 spoke of grazing as a "privilege." Court cases have substantiated the position that grazing is a privilege and not a right and that purported transfers of National Forest grazing privileges by permittees are illegal and unenforceable.

Would you make, first, a copy of the Secretary's regulation 10 and any other regulations that have been issued by subsequent Secretaries of Agriculture, together with a memorandum of the court cases upon which you rely and upon which the people in the Forest Service rely for that statement?

Mr. CLIFF. Yes, sir, we would be glad to do that.

I would like to comment that the statements in our regulations and in our policies from 1905 to the present contain language saying that these grazing permits are privileges and not rights. It has been our position all through the years, and there are several significant court cases which substantiate the statement that I made, and we shall be glad to cite them for the record.

Mr. SAYLOR. All right, sir.

Mr. Chairman, I ask unanimous consent that when Mr. Cliff prepares that information, it be made a part of the record at this place.

Mr. BARING. Without objection it is so ordered.

(The documents referred to follow:)

U.S. DEPARTMENT OF AGRICULTURE,
FOREST SERVICE,
Washington, D.C., March 20, 1969.

Hon. WALTER S. BARING,
Chairman, Subcommittee on Public Lands, Committee on Interior and Insular Affairs, House of Representatives.

DEAR MR. BARING: In response to the request at the recent hearings by your Subcommittee on the regulations of the Secretaries of the Interior and Agriculture on Grazing Fees, the following information and documents are furnished in connection with the studies and costs expended by the Forest Service. The documents are numbered to correspond with the cost items.

	<i>Forest Service cost</i>
(1) Background Study by Economic Research Service, Forest Service, Bureau of Land Management, Montana State College, Utah State University, and University of Arizona.....	\$12, 500
(2) Special studies by the University of Arizona, Montana State College, and Utah State University.....	20, 000
(3) Utah State University Economic Model Study.....	17, 640
(4) Statistical Reporting Service "Western Livestock Grazing Survey, 1966".....	381, 400
(5) Utah State University study on impact of alternative grazing fee adjustments.....	10, 869
(6) Technical Committee on the analysis of grazing cost data.....	22, 194
Total costs.....	464, 603

Also as requested, there are transmitted herewith copies of the 1905 Regulation 10 and of the revisions up to 1936 dealing with the question that grazing on the National Forests is a privilege.

For the period 1936 to date the chronology of the regulations concerning this matter with quotations from and citations to the Federal Register and the Code of Federal Regulations is as follows:

(1) As first included in the Federal Register on August 15, 1936 (1 F.R. 1096), a paragraph in Regulation G-9 provided "A grazing preference is not a property right. Permits are granted only for the exclusive use and benefit of the persons to whom they are issued."

(2) On April 20, 1940 (5 F.R. 1463), the foregoing provision was revised and codified as Regulation G-4 (36 C.F.R. 231.4) which provided "a grazing preference is not a property right. Preferences in the use of national-forest ranges are granted for the exclusive use and benefit of the persons to whom awarded."

(3) On December 21, 1945 (10 F.R. 15269) Regulation G-4 (36 C.F.R. 231.4) was revised to read "A grazing preference is not a property right. Preferences in the use of national-forest ranges are approved for the exclusive use and benefit of the persons whom allowed."

(4) The same language of Regulation G-4 appeared at 36 C.F.R. 231.4(1) on March 12, 1946 (11 F.R. 2535).

(5) On December 23, 1953 (18 F.R. 8644), the same language appeared at 36 C.F.R. 231.4(b).

(6) On March 21, 1968 (33 F.R. 4802), the foregoing language, see item (3), was revised and codified at 36 C.F.R. 231.3(b), which provides "A grazing permit or grazing agreement conveys no right, title, or interest of the United States in any lands or resource use authorized thereunder and is a privilege for the exclusive benefit of the person or organization to whom a permit is issued or with whom a grazing agreement is entered into."

Sincerely,

EDWARD P. CLIFF,
Chief.

REG. 10. The grazing privilege will be granted only to citizens of the United States.

REG. 14. Permits will be granted only to the actual owners of stock and for their exclusive use and benefit, and will be forfeited if sold or transferred in any manner or for any consideration without the written consent of the Forester.

Persons owning cattle and horses which regularly graze on ranges located along the boundary line and only partially included within a forest reserve may be granted permits for such portion of their stock as the circumstances appear to justify, but may be required to herd or so handle their stock as to prevent trespassing by that portion for which a permit is not granted.

REG. 10. The grazing privilege will be granted only to citizens of the United States.

REG. 50. Permits will be granted only for the exclusive use and benefit of the owners of the stock, and will be forfeited if sold or transferred in any manner or for any consideration. (Appendix, p. 214.) Speculation in the use of grazing permits will not be allowed, and permits will be refused or canceled for intentional false statement of the number of stock owned.

In case a permittee shall sell the stock covered by permit to a purchaser who wishes to continue grazing it on the National Forest, upon presentation to the supervisor of evidence that the sale is bona fide, the permit will be canceled and a new permit will be issued to the purchaser, without cost, for the remainder of the grazing period allowed in the original permit. The issuance of a permit under these circumstances does not carry with it any guaranty that a renewal will be allowed for the number of stock the original permittee might have been entitled to graze, but is granted with the understanding that in subsequent permit allotments the purchaser will be considered solely upon the merits of his case.

The mere purchase of a portion of the stock which has been grazed under a permit upon the National Forest will not entitle the purchaser to share in the grazing during the following year, but when the entire herd of stock, of both the stock and the ranches used in connection with it, are purchased, then an equitable share of the grazing will be allowed the new owner. *The preference given on account of prior use of the range is a personal privilege and is not transferable.* All grazing permits issued on account of the purchase of stock will be subject to the maximum limit restrictions after the expiration of the ensuing permit period, and no person, partnership, or corporation will be allowed a renewal of permit for stock purchased, on a number in excess of the maximum limit established by the Forester.

Permits allowing the purchaser of stock to continue grazing it on a National Forest will be given a new number in the regular serial order. In cases where only a portion of the stock is sold, or when a portion of the grazing fees paid is transferred to the credit of another person or of a permit on another Forest, a new permit being the same serial number as the first permit will be issued to the original for the number of stock retained by him.

PERMITS NOT TRANSFERABLE

REG. 50 *Permits will be granted only for the exclusive use and benefit of the owners of the stock, and will be forfeited if sold or transferred in any manner or for any consideration.* Speculation in the use of grazing permits will not be allowed, and permits will be refused or canceled for intentional false statement of the number of stock owned.

In case a permittee shall sell the stock which is being grazed under permit to a purchaser who wishes to graze it on the National Forest, upon presentation to the supervisor of evidence that the sale is bona fide, the permit will be canceled and a new permit will be issued to the purchaser, without cost, for the remainder of the grazing period allowed in the original permit. When stock is sold after the application of a grazing permit has been approved and prior to the beginning of the grazing period, the application or permit may be canceled, and the application of the purchaser approved upon the merits of his case, subject to the reductions and in accordance with the rules governing the issuance of permits to the purchasers of stock. When the grazing fees have been paid, a transfer may be made to the credit of the purchaser of the amount of grazing fees upon the stock for which he is allowed a permit. The issuance of a permit under either of the above circumstances does not carry with it any guaranty that a renewal will be allowed for the number of stock the original permittee might have been entitled to graze, but is granted with the understanding that in subsequent permit allotments the purchaser will be considered solely upon the merits of his case.

The mere purchase of stock by a person not otherwise entitled to consideration will not entitle the purchaser to share in the grazing privilege during the following year, but when the purchaser is the owner of ranch property either within or adjacent to the Forest a renewal of the permit may be allowed for not to exceed 80 per cent of the number of stock grazed under the original permit. This reduction need not be made when the number of stock purchased by a resident ranch owner is less than the protective limit. When both the stock and ranches used in connection with it are purchased, an equitable share of the grazing may be allowed the new owner, after such sliding scale reduction has been made as would have been required of the original permittee.

No division of the grazing privilege among different owners will be allowed in the renewal of a permit when the number of stock sold is less than the protective limit. In case the number of stock sold exceeds the protective limit, a division of the permit among different owners may be allowed, provided that not more than one new owner is allowed a renewal of permit for less than the protective limit number of stock.

The purchase of stock from an owner who has used the range less than three years will not entitle the purchaser to a renewal of the permit.

The preference given on account of prior use of the range is a personal privilege and is not transferable. In all cases where the renewal of a permit is allowed on account of the purchase of stock, a waiver to the United States (Form 763) of all claims to a renewal of the permit for the number of stock sold should be signed by the original permittee and filed with the supervisor.

All grazing permits issued on account of the purchase of stock will be subject to the maximum-limit restrictions after the expiration of the ensuing permit period, and no person, partnership, or corporation will be allowed a renewal of permit including stock purchased for a number in excess of the maximum limit established by the district Forester.

When a permittee sells his stock to a purchaser who does not wish to apply for a renewal of the permit and sells his ranches used in connection with the stock to another purchaser who desires to secure a grazing permit, the purchaser of the ranches will be given a preference in the approval of his application subject to the rules governing the approval of applications of other new owners or beginners, provided that the original permittee has signed a waiver (Form 763) to the renewal of the permit previously granted him, and that the ranches control important watering places or produce a cultivated crop that can only be marketed to advantage by feeding it to live stock.

Applications from the purchasers of stock or permits allowing the stock to continue grazing on a National Forest will be given a new number in the regular serial order. In cases where only a portion of the stock is sold, or when a portion of the grazing fees paid is transferred to the credit of another person

or of a permit on another Forest, a new permit bearing the same serial number as the first permit will be issued to the original owner for the number of stock retained by him, and the change in number of stock will be noted on the record card.

A cross-reference entry of permits issued for stock which has been purchased will be made on the original record card, the number of stock sold deducted, and a new card written for the supplemental permit.

PREFERENCES

REG. G-15. Citizens of the United States will be given preference in the use of the National Forests, but persons who are not citizens may be allowed grazing permits provided they are bona fide residents and owners of improved ranch property either within or adjacent to a National Forest.

A corporation will not be given citizenship preference in the use of National Forest ranges unless 80 percent of its capital stock is owned by persons who are citizens.

Regular occupants of the range who own and reside upon improved ranch property in or near National Forests will be given first consideration, but will be limited to a number which will not exclude regular occupants who reside or whose stock are wintered at a greater distance from the National Forests. With this provision applicants for grazing permits will be given preference in the following order:

Class A: Persons owning and residing upon improved ranch property who are dependent upon the National Forest for range and who do not own more than the established protective limit number of stock.

Class B: Regular users of National Forest range who do not own improved ranch property; and persons owning such ranch property who own numbers of stock in excess of the established protective limits.

Class C: Persons who are not regular users of National Forest range and who do not own improved ranch property. Class C applicants will be granted temporary permits only and upon Forests which are not fully occupied by permittees of classes A and B.

Persons who have not regularly used the range within newly created National Forests during preceding years will not be allowed to place stock upon it for the purpose of establishing a grazing priority, unless they are bona fide settlers who are entitled to share in the use of the range as class A applicants or there is unused range.

Unless there is surplus range available permittees of classes B and C will not be allowed to increase the number of stock grazed under permit except by the purchase of other permitted stock under circumstances which warrant a renewal of the permit held by the original owner.

NO LEGAL RIGHTS

No one can acquire a right to the use of National Forest range, but he may acquire a preference in the allotment of grazing privileges. This preference does not entitle him to continued use of a certain part of a forest, but only to a preference over other applicants less entitled to consideration in the use of the ranges open to the class of stock which he wishes to graze. From their very nature these preferences possess relative degrees of superiority and consequently have a number of gradations.

ALIENS

New applicants who are not full citizens of the United States, in conformity with the naturalization laws of the United States and the State in which they may reside, may be allowed to share in the use of National Forest ranges provided they meet all requirements of ownership of commensurate ranch property and stock and other qualifications imposed upon citizens of the United States.

Permits issued to such alien applicants shall be temporary, and the provisions of Regulation G-14 concerning three years' use under temporary permits shall not apply.

No properly qualified citizen of the United States will be denied a permit or subjected to a reduction in permit number to provide range for an applicant who is not a citizen of the United States.

DEFINITION OF AN ALIEN

For the purpose of establishing the status of an alien it shall be understood that all foreign-born persons who have not yet completed their citizenship by securing their final or second papers of citizenship shall be considered as aliens within the meaning of these instructions.

NEW FORESTS OR ADDITIONS

During the first season after the creation of a new Forest or addition, grazing privileges will be allotted on the basis of prior use and occupancy. Bona fide class A settlers may be recognized as new owners, but with this exception, permits will be restricted to those stock growers who submit proof of previous use and occupancy during two or more years. No permit will be granted for a number of stock larger than the average number grazed by the applicant during the two years preceding the establishment of the Forest, unless the applicant, as a class A settler, is reasonably entitled to increase toward the protective limit. After the first season the apportionment of grazing privileges will be strictly in accordance with the following rules of preference:

HOW PREFERENCES ARE GAINED

Preference may be secured in the following ways:

- (a) By prior use and occupancy of lands included within a National Forest.
- (b) By local residence, ownership of improved ranch property, and dependence upon the range for a livelihood. (See instructions under "Permits to new owners.")
- (c) By the renewal of a permit formerly held by a copartnership or corporation to each individual member for a number of stock equal to his share in the original permit. (See instructions under "Renewal of permits.")
- (d) By the purchase of a permittee's stock or ranches, or both under circumstances justifying a renewal. (See instructions under "Permits to purchasers of permitted stock.")
- (e) By inheritance of a permittee's stock or ranches, or both, under circumstances justifying a renewal of the permit. (See instructions under "Permits to purchasers of permitted stock.")
- (f) By regular use of Forest range under temporary permit for three consecutive years, and ownership of improved ranch property commensurate with total number of stock grazed.

For convenience in recording basis of recognition on card Form 621 and for reference in correspondence, preferences will be arranged in three classes:

- (1) Prior use.
- (2) Grantees.
- (3) Purchasers.

PRIOR USE

The regular use of a range during its open season for several successive years before creation of a Forest and under continued grazing permit thereafter is what is meant by "prior use" or "regular occupancy." So far as is consistent with other conditions, preference will be given to those who have continuously used the range for the longest period.

PERMITS TO PURCHASERS

REG. G-9. *To facilitate legitimate business transactions, under conditions specified by the Forester, and unless otherwise authorized or limited by the Secretary of Agriculture, and upon satisfactory evidence being submitted that the sale is bona fide, a purchaser of either the permitted stock or the dependent, commensurate ranch property of an established permittee will be allowed a renewal of permit in whole or in part, subject to the maximum limit restrictions, provided the purchaser of stock only actually owns dependent, commensurate ranch property, and the person from whom the purchase is made waives to the Government his preference for renewal of permit. A renewal of permit on account of purchase from a grantee who has used the range less than three years will not be allowed.*

A grazing preference is not a property right. Permits are granted only for the exclusive use and benefit of the persons to whom they are issued and will be forfeited if sold or transferred in any manner for a valuable consideration.

INSTRUCTIONS AND PROCEDURE

PURPOSE OF THE REGULATION

Regulation G-9 provides for administrative control in connection with business transactions involving grazing privileges between persons, companies, or corporations whose enterprises are dependent in whole or in part upon the use of national forest range. The regulation has been so framed as to permit as much freedom of action as possible in such matters consistent with good administration.

PROOF OF VALIDITY OF TRANSFER

Before any consideration will be given an application for renewal of permit on account of purchase, satisfactory evidence must be submitted to the forest supervisor that the sale is bona fide.

A statement should be submitted showing the character, location, and amount of ranch property upon which the application for renewal is based and the connection it has with the stock.

Title to the stock or land involved must pass directly from the person executing the waiver to the purchaser applying for the permit.

WAIVER OF PREFERENCE

A waiver of the preference (Form 763) will be required in all cases where the original permittee desires to relinquish claim to a renewal of permit.

FREE PERMITS TO PURCHASERS

In case a permittee sells during the permit period and consents to the purchaser continuing to graze the stock on the national forest, with the consent of the permittee, upon presentation to the supervisor of evidence that the sale is bona fide, the original permit will be canceled and a new permit issued to the purchaser without charge for the remainder of the period for which fees have been paid. If only a portion of the stock is sold, an amended permit for the number of stock retained will be issued to the original permittee, and a free permit to the purchaser for the number purchased. No transfer of fees on the record is necessary in such cases. Cross reference entries will be made on the record cards.

SALE OF STOCK AFTER APPROVAL OF APPLICATION

When stock is sold the application for the grazing permit has been approved and prior to the beginning of the grazing period, if the permittee does not waive his grazing preference although willing to forego use of the range for the current season, the original application will be canceled and the application of the purchaser will be approved upon its merits as a new applicant, subject to the regulations.

RANCH PROPERTY

Ranch property must be fully commensurate and dependent and conform to the definition of ranch property under the instructions of Regulation G-8.

PURCHASE OF STOCK AND RANCHES

If the ranch property is commensurate, dependent, and used in connection with the permitted stock, the purchaser of both the stock and ranches of a permittee will be allowed a renewal of permit for 90 percent of the permittee's established grazing preference, subject to the maximum limit restrictions and the filing of a waiver from the original permittee. If the ranch property is not fully commensurate, a proportionate reduction should be made in the number of stock for which renewal of permit is allowed.

PURCHASE OF STOCK ONLY BY OWNER OF IMPROVED RANCH

A purchaser of permitted stock who owns improved ranch property, dependent and commensurate and used in connection with the stock, or who acquires such ranch property from persons other than the original permittee, may be allowed a renewal of permit for 80 percent of the permittee's established grazing preference, provided that the maximum limit restriction is not exceeded and a waiver from the original permittee is filed with the application for renewal.

PERMITS TO PURCHASERS

REG. G-9. To facilitate legitimate business transactions, under conditions specified by the Forester, and unless otherwise authorized or limited by the Secretary of Agriculture, and upon satisfactory evidence being submitted that the sale is bona fide, a purchaser of either the permitted stock or the dependent, commensurate ranch property of an established permittee will be allowed a renewal of permit in whole or in part, subject to the maximum limit restrictions, provided the purchaser of stock only actually owns dependent, commensurate ranch property, and the person from whom the purchase is made waives to the Government his preference for renewal of permit. A renewal of permit on account of purchase from a grantee who has used the range less than three years will not be allowed.

A grazing preference is not a property right. Permits are granted only for the exclusive use and benefit of the persons to whom they are issued and will be forfeited if sold or transferred in any manner for a valuable consideration.

PURPOSE OF THE REGULATION

Regulation G-9 provides for administrative control in connection with business transactions involving grazing privileges between persons, companies, or corporations whose enterprises are dependent in whole or in part upon the use of national forest range. The regulation has been so framed as to permit as much freedom of action as possible in such matters consistent with good administration.

PROOF OF VALIDITY OF TRANSFER

Before any consideration will be given an application for renewal of permit on account of purchase, satisfactory evidence must be submitted to the forest supervisor that the sale is bona fide.

A statement should be submitted showing the character, location and amount of ranch property upon which the application for renewal is based and the connection it has with the stock.

Title to the stock or land involved must pass directly from the person executing the waiver to the purchaser applying for the permit.

WAIVER OF PREFERENCE

A waiver of the preference (Form 763) will be required in all cases where the original permittee desires to relinquish claim to a renewal of permit.

PERMITS TO PURCHASERS

REG. G-9. To facilitate legitimate business transactions, under conditions specified by the Forester, and unless otherwise authorized or limited by the Secretary of Agriculture, and upon satisfactory evidence being submitted that the sale is bona fide, a purchaser of either the permitted stock or the dependent, commensurate ranch property of an established permittee will be allowed a renewal of permit in whole or in part, subject to the maximum limit restrictions, provided the purchaser of stock only, actually owns dependent, commensurate ranch property, and the person from whom the purchase is made waives to the Government his preference for renewal of permit. A renewal of permit on account of purchase from a grantee who has used the range less than three years will not be allowed.

A grazing preference is not a property right. Permits are granted only for the exclusive use and benefit of the persons to whom they are issued and will be forfeited if sold or transferred in any manner for a valuable consideration.

INSTRUCTIONS AND PROCEDURE

PURPOSE OF THE REGULATION

Regulation G-9 provides for administrative controls in connection with business transactions involving grazing privileges between persons, companies, or corporations whose enterprises are dependent in whole or in part upon the use of national forest range. The regulation has been so framed as to permit as much freedom of action as possible in such matters consistent with good administration.

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Before any consideration will be given an application for renewal of permit on account of purchase, satisfactory evidence must be submitted to the forest supervisor that the sale is bona fide.

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A waiver of the preference (Form 763) will be required in all cases where the original permittee desires to relinquish claim to a renewal of permit.

FREE PERMITS TO PURCHASERS

In case a permittee sells during the permit period and consents to the purchaser's continuing to graze the stock on the national forest, upon presentation to the supervisor of evidence that the sale is bona fide, the original permit will be canceled and a new permit issued to the purchaser without charge for the remainder of the period for which fees have been paid. If only a portion of the stock is sold, an amended permit for the number of stock retained will be issued to the original permittee, and a free permit to the purchaser for the number purchased. No transfer of fees on the record is necessary in such cases. Cross reference entries will be made on the record cards.

SALE OF STOCK AFTER APPROVAL OF APPLICATION

When stock is sold after the application for a grazing permit has been approved and prior to the beginning of the grazing period, if the permittee does not waive his grazing preference although willing to forego use of the range for the current season, the original application will be canceled and the application of the purchaser will be approved upon its merits as a new applicant, subject to the regulations.

PERMITS TO PURCHASERS

Reg. G-9. To facilitate legitimate business transactions, under conditions specified by the Forester, and unless otherwise authorized or limited by the Secretary of Agriculture, and upon satisfactory evidence being submitted that the sale is bona fide, a purchaser of either the permitted stock or the dependent, commensurate ranch property of an established permittee will be allowed a renewal of permit in whole or in part, subject to the maximum limit restrictions, provided the purchaser of stock only actually owns dependent, commensurate ranch property, and the person from whom the purchase is made waives to the Government his preference for renewal of permit. A renewal of permit on account of purchase from a grantee who has used the range less than 3 years will not be allowed.

A grazing preference is not a property right. Permits are granted only for the exclusive use and benefit of the persons to whom they are issued.

PURPOSE OF THE REGULATION

Regulation G-9 provides for administrative control in connection with business transactions involving grazing privileges between persons, companies, or corporations whose enterprises are dependent in whole or in part upon the use of national forest range. The regulation has been so framed as to permit as much freedom of action as possible in such matters consistent with good administration.

PROOF OF VALIDITY OF TRANSFER

Before any consideration will be given an application for renewal of permit on account of purchase, satisfactory evidence must be submitted to the forest supervisor that the sale is bona fide.

A statement should be submitted showing the character, location, and amount

of ranch property upon which the application for renewal is based and the connection it has with the stock.

Title to the stock or land involved must pass directly from the person executing the waiver to the purchaser applying for the permit.

WAIVER OF PREFERENCE

A waiver of the preference to the United States (form 763) will be required in all cases where the original permittee desires to relinquish claim to a renewal of permit.

FREE PERMITS TO PURCHASERS

In case a permittee sells during the permit period and consents to the purchaser continuing to graze the stock on the national forest, with the consent of the permittee, upon the presentation to the supervisor of evidence that the sale is bona fide, the original permit will be canceled and a new permit issued to the purchaser without charge for the remainder of the period for which fees have been paid. If only a portion of the stock is sold, an amended permit for the number of stock retained will be issued to the original permittee, and a free permit to the purchaser for the number purchased. No transfer of fees on the record is necessary in such cases. Cross reference entries will be made on the record cards.

Mr. SAYLOR. Mr. Cliff, one further question:

On page 10 you have this statement, near the bottom of the page: "We will continue the longstanding Forest Service practice of issuing no-charge grazing permits for noncommercial livestock up to 10 head by resident farmers and ranchers. We recognize the problem of small operators in low-income areas where opportunities for off-ranch incomes are limited. Further consideration will be given to this as a separate matter apart from the overall fee determination."

Is there any intention on behalf of the people in the Department of Agriculture to change this formula to allow grazing of noncommercial livestock up to 10 head without charge?

Mr. CLIFF. No, sir. We intend to continue that regulation and that policy.

Mr. SAYLOR. Now, Mr. Rasmussen, does BLM have a similar position?

Mr. RASMUSSEN. Yes, sir.

Mr. SAYLOR. Is there any contemplated change that you know of at this time, anywhere in the Interior Department, to change that regulation?

Mr. RASMUSSEN. No, sir.

Mr. SAYLOR. So that any of these regulations which have gone into effect as far as the increased charges are concerned, will not affect the small noncommercial livestock operator who, for his own use or for family use, is permitted to graze up to 10 head on the public domain, either in Forest Service lands or BLM?

Mr. CLIFF. That is correct, as far as the Forest Service is concerned, Mr. Saylor.

Mr. RASMUSSEN. For us, too, except we have no upper limit on numbers of livestock.

Mr. SAYLOR. One thing I wish to say to both of you is that the next time you issue permits, I suggest you put in the permit specific language that the permittee does not own this land and that he should understand that those of us who do not happen to live in the immediate area and who might like to do a little fishing or hunting in

that area, have about as much right out there as they do and that we should not be run off by some of these individuals or some of the hands.

I do not expect anybody and everybody to have a right to go out and go all over this area without having the courtesy to go and talk to the people who are in the area and who have these permits. While some people have taken that attitude, I have to say that the majority I have dealt with have been most cooperative and most kind in granting permission to individuals to go on the land where they are permittees to graze their cattle, with some few minor requests—that you be sure to close gates and some other things, or that you do not cut the fence—which is nothing more than you expect of any good citizen who travels, whether it is on permittee land or anybody else's.

We thank you all for the testimony you have given this committee.

Thank you, Mr. Chairman.

Mr. LUJAN. Mr. Chairman, are we through going down the line now?

Mr. BARING. Did you have a question?

Mr. LUJAN. I did have something I would like to ask.

Mr. BARING. We have not gotten to the gentleman from California.

Mr. LUJAN. All right.

Mr. BARING. The gentleman from California.

Mr. JOHNSON. Mr. Chairman, I want to commend the three gentlemen here representing the Federal agencies for their statements and also their answers to the questions. I think the waterfront has been pretty well covered by the two previous interrogators here, the chairman of the full committee and Mr. Saylor, the ranking minority member of the committee.

Now, Mr. Saylor inquired as to the number of items taken into consideration, and the only one I missed was No. 15, which was not on the page.

I would say, Mr. Secretary, that you are of the opinion that no permit value should be considered; right?

Mr. TRAIN. No, sir. I have not expressed an opinion.

Mr. JOHNSON. Well, what is your opinion?

Mr. TRAIN. The Department has not, since the issuance of the regulations on January 14, reviewed the basis upon which that regulation was based.

Mr. JOHNSON. Would you not say that the lack of consideration of this item is the difference between the livestock industry and the Government in this matter?

Mr. TRAIN. Yes, sir.

Mr. JOHNSON. Would you not also say that the regulations that were issued on the 14th of January are in full force and effect at the present time?

Mr. TRAIN. Yes, sir.

Mr. JOHNSON. Would you not also say that probably the only consideration that should be given to the regulations would come from a court decision or case based upon the consideration of permit value?

Mr. TRAIN. I am not so sure about that being the only basis for consideration. I think these hearings are an important consideration, and the hearings in the Senate, and any actions of the Public Land Law Review Commission.

Mr. JOHNSON. As I have witnessed your testimony here, you representing the Department of the Interior and Mr. Cliff representing the Department of Agriculture would have authority to speak on policy, you are of the opinion that you should give no consideration to permit value.

Maybe I have misinterpreted the papers, but I would say that you have pointed this up quite well. In the questioning by the chairman of the full committee, this was further pointed out for the record.

Mr. TRAIN. Mr. Johnson, I would have to make certain that the record shows that I have not stated as my opinion, or that the present policy of the Department is that the permit value should be included or excluded.

Mr. JOHNSON. That is what is in full force and effect as of now, would you not say?

Mr. TRAIN. That is correct, sir.

Mr. JOHNSON. And the only way that we could change that at the present time would either be from a change in the administration's position or by a legislative act?

Mr. TRAIN. That is correct, sir.

Mr. JOHNSON. So I think it boils down to the only thing in contention, really, is the permit value. Now, if I understand that matter right, if this were taken into consideration, there would be quite a reduction in the fees in the 10-year period. Am I right?

Mr. TRAIN. If it were included, yes, sir.

Mr. JOHNSON. Now, as I understood you, Mr. Cliff, you said, in representing the Secretary of Agriculture, that you are of the opinion that the order in effect now is a proper position, and that was the Secretary's position, and your position.

Mr. CLIFF. Well, I did not exactly say it that way, but I do think that it is a proper position, and the Secretary has decided to let the regulation stand. So I assume he feels that it is a proper position.

Mr. JOHNSON. Well, another observation of mine is that during the early periods of consideration from the time I, at least during 1966 and 1967—as I understand it, the first elimination of the permit value was made known to most of the industry when the regulations came out on the 16th of November. The proposed regulations were announced on the 16th of November.

Mr. CLIFF. That is not in accordance with my understanding, Mr. Johnson.

Mr. JOHNSON. I would like to have that verified, because the date of November 16, 1968, was the first notification. It says—this happens to be in Mr. Rasmussen's statement.

Mr. CLIFF. Could I comment on this?

Mr. JOHNSON. Certainly.

Mr. CLIFF. There was a series of studies, and the so-called SRS study did take it into account—we deliberately tried to get information on what the permit value was as determined by sales or bonus payments or whatever you want to call them, between individuals, when permits were issued to people to whom ranch properties had been sold. We thought this had an important bearing on measuring the true market value of a grazing privilege on public lands. At no time during these studies to my knowledge was it ever indicated that the cost of paying

interest on the permit value would be allowed as a cost of operating on public land for the purpose of calculating fees. This did come out when we summarized the SRS study in a conference with the stockmen in Denver, Colo.—I think it was November 1967. I think it was made clear at that time that there had been no decision on this. In fact, I outlined the alternatives that seemed open.

One of the alternatives that was considered and was open for consideration was allowing permit value. Another was to disallow it and raise the fees immediately. Another was to disallow it and phase out the permit value over a period of time. These were the alternatives that were discussed, and I am sure they were fully understood by the livestockmen at that time, because they responded to it in the joint statement prepared by the American National Livestock Association and the National Woolgrowers Association, in November of 1967, copies of which were distributed very widely to Members of the Congress and others, in which they made their argument for including the permit value.

So it was clear that there was no mutual understanding and that there was a possible disagreement at that time.

Now, it was not until 1968, when the studies were all completed and the analyses made, that the two Secretaries made a specific proposal that the permit value not be recognized as a cost in calculating grazing fees. The matter was open for review of all alternatives until November 1968.

It was certainly understood that it was an issue long before that.

Mr. JOHNSON. I fully realize that, but the stockmen in the industry had maintained their position that this should be included in the 15 items. Now, it was determined on November 16, when it was made known that they had given no consideration of this item, and this is the whole crux of the thing as far as I can see. When this is eliminated, then you come around very much in agreement as to the 14 other items, and then engross the 10-year study with the increased grazing fees. Had they given consideration to this, the 10-year period would probably have been used, but it would have been a much lower grazing fee during the 10-year period, as I understand it.

Now, after the announcement was made on November 16, there was an extended period of time given for further comment. I fully realize that that is when we started to hear much about this, those of us who represent the areas where the livestock industry is in operation. That is why all of us in the Western States, at least, are confronted with this problem at the present time.

Now, also, Mr. Rasmussen, in your statement, you have stated that there were 54 of the local grazing districts where grazing advisory boards had studied the regulations and commented. Now, in your statement, you said that in varying degrees, they were opposed to the new schedule.

I presume that none of the 54 boards agreed with the elimination of the permit value. Am I right in this?

Mr. RASMUSSEN. We did receive varied responses. The Miles City District in Montana, substantially agreed with it.

Mr. JOHNSON. We shall wait until that particular grazing committee comes in as a witness.

That was the only grazing board that practically agreed with the elimination of the permit value?

Mr. RASMUSSEN. Yes.

Mr. JOHNSON. Further, you make reference to the Special Grazing Fee Subcommittee of the National Advisory Board Council. I presume that was the organization that Mr. Cliff placed in the record, a favorable comment?

Mr. RASMUSSEN. No, sir.

Mr. JOHNSON. What was their decision?

Mr. RASMUSSEN. No, sir, this is a different committee. This is a committee of the Secretary's National Advisory Board Council. It is called a Special Grazing Fee Committee.

Mr. JOHNSON. What was their final determination? It does not say here. That is on page 11 of your statement.

Mr. RASMUSSEN. The minutes of their meeting has been put into the record, Mr. Johnson.

Mr. JOHNSON. Off the record, then. A short statement as to what their position was.

Mr. RASMUSSEN. Let me read it:

"Resolved further that the grazing fees be increased for 1969 to 43 cents per annual unit month, which is within 1 cent of the amount proposed by the Department for the first year, and the amount which the livestock industry contends is the highest fee justified by a comparative cost study if allowance is made for the interest costs on capital investments in the acquisition permit," and it goes on.

Mr. JOHNSON. That did not state any position as to permit value? This is just agreeing—

Mr. RASMUSSEN. I will read the rest of it.

"Resolved that this Committee recognizes that the interest cost in capital investment in a permit is indeed a cost and that this should be considered in setting grazing fees. It does not at this time make a recommendation as to how this should be treated as a matter of future long-range policy," and so on.

Mr. JOHNSON. The minutes are a matter of record, I guess, and was asked for by one of the other Members. I am wondering if there is any consideration going to be given to this. At the present time, the regulations do not allow any consideration.

Mr. RASMUSSEN. At the present time, they do not.

Mr. JOHNSON. As I understood the papers that were given here today, there is no consideration being given to change, where the permit value would be allowed to be considered, in a further modification of the regulations.

Mr. TRAIN. If I could speak to that point, Mr. Johnson.

Mr. JOHNSON. Yes, Mr. Secretary.

Mr. TRAIN. The Department of the Interior, through the Secretary and through my own statement, has announced that it is going to keep this matter continually under review. Now, that was the entire question of the grazing fees and the basis upon which the fee is established.

Mr. JOHNSON. Well, I would say that when the billings have gone out in line with the regulations that were published as being a matter of law at the present time, and a mandate, that review does not make a change.

Mr. TRAIN. Obviously, when we said review, we were looking to the future beyond the 1969 first increment in the schedule. We hardly had time from January 20 until the normal mailing date to undertake a real review of a matter that had been under consideration for some 9 years.

Mr. JOHNSON. Then there is a possibility that the new administration and the two Secretaries may give consideration to a modification where the permit value would be considered?

Mr. TRAIN. I presume that is a possibility, sir, and part of their review.

Mr. JOHNSON. That is all.

Mr. BARING. The gentleman from Arizona.

Mr. STEIGER. Thank you, Mr. Chairman.

Chief, it is always a pleasure to be with you. I just have one question with regard to your specific testimony. On page 10, you point out that the increase in fair market value is not being made all at once, it is being spread out. This would give the permittees ample opportunity to adjust their operations to the higher fee level.

Chief, what are they going to do to adjust their operations to the higher fee level?

Mr. CLIFF. We recognize there will be impacts in proportion to the incremental increase in the fees. There will be a lower net income as these increases apply. We are hoping that at the end of 10 years, we will have the fees at fair market value and that some of the inequities on the public side will be eliminated.

By this statement, I also mean that they will be paying less than full market value for 10 years. They will be enjoying these grazing privileges at less than fair market value for an additional 10 years.

Also, you realize that many of our permittees have had these privileges for a long period of time. The \$25 figure that has been mentioned here does not represent a real investment on the part of many of them. It is an average of what those would have purchased in the last 5 years have invested. They will be given 10 years to amortize those investments.

The others have already had a period of amortization at lower than fair market price grazing fees.

Rather than handle this on a case-by-case basis, as Mr. Hughes testified this morning, we felt it would be simpler and better all around to phase it out over a 10-year period.

Mr. STEIGER. Chief, you have solved the administration's problem as they view the thing, but you still have not told me what's the guy going to do? You told me his permit is increasing in value, so you are saying he can sell out. I agree with you. What else is he going to do to meet this higher cost? You obviously recognize that it is going to have an impact. Can he raise twin calves? I am not being specious. That is not worthy of you. I recognize that he cannot do anything. He cannot control the market. You will not let him run any more cattle and properly so. There is nothing he can do to adjust to this and if he cannot cope with it, he has the option, as you point out, of selling out at what you consider an inflated value. Again, I do not think this is a statistic you can analyze or compute. I think this is a valid fact of life. Where you have solved the problem that is troubling you, that you do not feel the public is getting full value, I cannot believe that you intend to do it at the expense of the permittee, who has

operated in good faith under a structure which he is barely able to live by, as you well know, Chief, from your years of experience in dealing with it.

I do not think you cherish the image of the bloated, wealthy cattleman who has gotten wealthy at the expense of the public. I cannot believe that you feel that way from my conversations with you.

Mr. CLIFF. No. The cattlemen that are grazing and the sheepmen that are grazing on national forests are not economic royalists, with a few exceptions. There are some people who do not depend on the livestock industry for a livelihood who have permits on the national forests. But these are the exception rather than the rule. By and large, our grazing permittees are family operations. They are on the small side on the average, although we have some large ones, fairly large ones. They have not been making exorbitant profits. I know all of this.

The adjustment that they are going to have to make is to accept a lower net income in order to make this adjustment and we are spreading it over a 10-year period to try to minimize the impact rather than put it on all at once.

Mr. STEIGER. Chief, in your years of experience in the Forest Service, did you feel there was any extremely difficult administrative problem in charging different fees on different forests in recognition of the variance of the value of the forest?

Mr. CLIFF. It did create some complexities, but we did not experience any extreme difficulties. And as a matter of fact, I think there is good argument for having differential fees. We have differential fees now. We are starting out from the differential bases to get to the uniform fee that has been decided upon. So we will be living with differential fees for the next 10 years at least.

Mr. STEIGER. In the Forest Service?

Mr. CLIFF. In the Forest Service. And we do have a desire to explore further this question of differential fees, because we think there is some justification for differential fees from one part of the country to the other. We think the single fee that was determined as a result of the survey has sound statistical bases and we are willing to stick by that until we get other information.

Mr. STEIGER. It is my reaction that among all the other things that concern me with regard to the increase in fees, the method that it was arrived at, the increase in permit value, is the discarding of what I think is a very meritorious program which the Forest Service conducted, in recognizing the variables in a very variable business. It seems to me that while you can strike an average, as I mentioned this morning with Mr. Hughes, you can strike an average in the livestock business, but when you do, you must penalize the extreme. And you know and I am sure Mr. Rasmussen knows that there is a tremendous variety, both in cost of operation and in net income, depending on the terrain and the moisture. And it seems to me that you have compounded the problem which you have raised by ignoring the variables. I would hope that in your future review, Mr. Rasmussen mentioned there were 48 grazing districts. I believe that is under your jurisdiction. It would seem to me it would be entirely proper within this structure to arrive at a differential. I recognize that the committee must have discussed this and you people must have reviewed it. I recognize also that administratively and from the standpoint of book-keeping, it is a far more efficient situation to have a single figure. But

I do not think that anybody in good conscience can say that a single figure, ignoring the variables, is equitable to anybody but the book-keeping department of the agency.

I would hope that this would be a position that you would consider and one that I am sure you will receive adequate testimony on from the cattlemen, the sheepmen, and probably already have. But it is one that concerns me very much and I will yield back the balance of my time, Mr. Chairman.

Mr. BARING. Mr. Wold?

Mr. WOLD. Mr. Chairman, I have just one question that I would like to address to Mr. Rasmussen.

Mr. Rasmussen, on the last page of your testimony here, the exhibit on summary of combined average public and private costs has 14 items. I would like to ask you about item No. 14, which is the private-lease rate. You have a figure over here for private costs of \$1.79 and \$1.77 per AUM. I assume that that is the average of the figures that were sent in by these 3,000 or so respondents that you have, is that right?

Mr. RASMUSSEN. The figures would be the average of responses to all of the private land inquiries.

Mr. WOLD. How many would that represent?

Mr. CLIFF. About 4,000.

Mr. WOLD. Now, I would like to ask you what you think would be the determining factor as to whether a respondent sent in a figure of \$1.29 or \$3. What would be the controlling factors in his consideration as a private landowner who is attempting to lease his grazing rights at the best price he could get? What would be the considerations that would go into determining that price, would you say?

Mr. RASMUSSEN. He might have a number of considerations—for instance, whether it was fenced. It depends on the piece of property that he is leasing.

Mr. WOLD. Do you think that a consideration would be the value of the land? For instance, if I were a rancher who owned some grazing land and wanted to lease it to you, do you think one of the considerations might be whether the land was worth \$20 an acre or whether it was worth \$30 an acre or \$40 an acre, as a measure of the grazing capacity of that land?

Mr. RASMUSSEN. I do not know exactly what would go through the private owner's mind in assessing the value of his grazing land. But he could consider a number of factors and they would all have to deal with the forage and service provided. He would consider whether there was competition. For example, were there two or three people interested in his land, or only one? He might want to negotiate it or put it up for bid. But in any case, he would have to take into account his items of cost.

Mr. WOLD. Would you agree that his motivation in leasing his land for grazing would be to get a return on his investment in the land?

Mr. RASMUSSEN. Sure.

Mr. WOLD. Would you agree that the rate that he might get, whether it is \$1.29 or \$2.29, would be a measure of the value of that land as a piece of grazing property?

Mr. RASMUSSEN. Yes.

Mr. WOLD. I wonder if item No. 14 actually is not a reflection of the market value of the property that the fee owner is leasing out.

Mr. CLIFF. Yes, it is.

Mr. RASMUSSEN. Yes.

Mr. WOLD. Then here is what disturbs me.

Mr. CLIFF. It is a measure of the market value of the grazing that he is leasing out.

Mr. WOLD. Right. But the motivation of the lessor would be to get as good a return on the capital investment that he has, is that right?

Mr. CLIFF. That is right, and in any transaction of this kind, there has to be a willing buyer and a willing seller and the buyer is trying to get the best price he can get from his standpoint and the seller the best price that he can get.

Mr. WOLD. But item 14, and it would not matter whether it be \$1.29 or \$2.29, would be a reflection of the value of that land?

Mr. CLIFF. That is correct.

Mr. WOLD. Here is what seems a little incongruous to me. On the one hand, in the private costs on your itemization, you insert an item which does reflect the market value of the lands that are being leased. Yet in the other column of public costs, the departments have rejected that consideration. This seems incongruous to me.

Mr. CLIFF. It does not seem incongruous to me because the study was made to compare the value of grazing on private land as against the grazing on public land. The theory of the study, the assumption, was that there is a competitive market for grazing in the western range States. We do have a measure of what people are willing to sell and buy for on a competitive market on private land, non-Federal land. The difference in the costs of operating on these two categories of land represent the value of the grazing on public land. This is the premise of the study.

The only questions, the only major point upon which we have differences with the livestock industry is whether the cost of carrying the permit value which was developed as a result of private transactions between private individuals, with the Government not participating, should be allowed as a legitimate cost in calculating the value of grazing on public lands. Now, these permit values have been increasing. The Government has no control over this.

I would like to just illustrate what the end result could be and really, we are faced with it right now. The permit value, as shown by the study, the average permit value for cattle grazing on National Forest land, is \$25. The stockmen recommended that they be allowed a 6-percent interest rate on this investment in permit values. Six percent of \$25, as I calculate it, is \$1.50, which is more than the base fee we are striving to arrive at.

We know that these permit values are appreciating. We do not know how much, but we know they have appreciated materially over the years. The study data reveal that the permit values for National Forest grazing varied a great deal. They varied from \$2 per AUM to \$72 per AUM.

Well, if you start paying or allowing interest on \$72 per AUM, you can see what an impossible problem you have.

I think we have a real serious problem here in providing equitable fees for the livestock people, which are still equitable to the Government. The permit values have already gotten out of hand as far as I can see. I think the sooner we correct this, the better off everybody will be. It just is not tenable to allow a discount of 6 percent on the permit

value on National Forest ranges in calculating fees. We could not accept that recommendation. We would be owing the stockmen money.

Mr. WOLD. That is right. And of course, it seems to me that this whole thing revolves about a question of accounting procedure here as you itemize these 14 or 15 factors in the public use versus the private. The thing that worries me is that item 14, private lease rate, could include a 2- or 3- or 4-percent return on the land investment of the private owner. If that is the case, and I suspect that is true—because I think that if I were a private landowner leasing to you, I would be looking for a return on my money. The grazing fee that I would ask of you would reflect my interest in getting a return on that money. If that is the case, then it seems to me you have injected that as a factor on the private side, whereas you exclude the factor, 86 cents or \$1.50, whatever it might be, depending on how you figure it, on the other side.

That is all I have to say, Mr. Chairman.

Mr. BARING. The gentleman from New Mexico.

Mr. LUJAN. Mr. Chairman, in the interest of time, I have a statement I would like inserted in the record at this time, and I shall not read it because the questions will reflect it.

Mr. BARING. Without objection, the statement will be included in the record as if read.

Mr. ASPINALL. It will follow immediately the members' statements, those that have submitted statements this morning.

Mr. LUJAN. That will be fine.

Mr. BARING. Without objection it is so ordered.

(Statement by Representative Lujan will be found on p. 19.)

Mr. LUJAN. I have some questions I wanted to ask.

Mr. ASPINALL. Mr. Lujan, before you start, will you be able to do it within 10 minutes?

Mr. LUJAN. Yes; just a couple of short questions.

Mr. ASPINALL. Fine.

Mr. LUJAN. In the area of northern New Mexico that I represent, which includes Carson and Santa Fe National Forests, the average livestock permittee grazes 17 head of cattle, so I am a little concerned whether enough consideration was given to these marginal operators. Did I understand you to tell Mr. Saylor that the first 10 cows are free?

Mr. CLIFF. That is not exact, Mr. Lujan. We do have a regulation which is of long standing which authorizes us to grant free permits for up to 10 head of livestock for domestic purposes. The number that would be allowed depends upon their domestic needs for their own family use. That is the limit. The 10 head is the limit. We intend to continue this regulation. That does not mean that everybody gets 10 head, sir.

Mr. LUJAN. But he could?

Mr. CLIFF. He could if the facts justified it.

Mr. LUJAN. Did you take into consideration in any of these things—apparently you have not—any differences due to economic circumstances of the area? As you can see, with the small number of cattle that are run by each permittee, our area is not very economically advantaged. Can something be cranked in there to take care of this?

Mr. CLIFF. Mr. Lujan, I am very familiar, personally, with the

northern New Mexico situation and I am very sympathetic to the problems of the people that you represent there. The Secretary of Agriculture, the present Secretary of Agriculture is concerned about this and he asked me to propose policies to him for giving such people who are, what should we say—I do not like to call them marginal, but subsistence operators—some special consideration. And we will do that.

In my judgment, however, I think we should set the grazing fees, the basic grazing fees, at fair market value and then, if socioeconomic conditions justify deviating, it should be done as a separate matter and as a response to a socioeconomic problem. That is the way in which we would approach that particular problem.

Mr. LUJAN. May I make a suggestion, because I have thought about this for a long time, that it be kind of on the declining scale, like income tax, however that works in that manner.

How much is going to be brought in—you did not wait for the Public Land Law Review Commission study. How much is going to be brought into the Federal Treasury by the fact that you did not wait for that?

Mr. CLIFF. On the National Forests in the first year, the raise will be an average of 4 cents per animal unit month for cattle, 2 cents per unit month for sheep. The increased fees in 1969 over 1968 will be about \$335,000, as I remember. The increase in fees by 1970 will be about \$800,000. The reason for that is that we started with the fee level of 1966 as a base. That was the year of the study. There had been some increase in the last 2 years.

Over the 10-year period, the total increase would——

Mr. LUJAN. I was just referring to the fact that you did not wait for the Public Land Law Review Commission study.

Mr. CLIFF. The 2 years I have given you would be the approximate amount of difference in receipts.

Mr. RASMUSSEN. I would judge about \$1.5 million each year, of which one-third is for range improvement.

Mr. LUJAN. The total or——

Mr. RASMUSSEN. About \$3 million total for the 2 years for BLM.

Mr. LUJAN. One quick thing, and I hate to belabor the point of the permit value, but it seems like you have based the thing on the fact that the permit value is only a reflection on the money that the Government is not getting. I do not believe this is true.

Mr. Train, perhaps if you have not completely decided in the Department of the Interior that you are going to continue this, you might look at it from another standpoint. I said this morning that the permit value in fact has no relation whatsoever to the grazing fee. I have written it out so I would kind of get it correctly.

If I could go out and lease more land from the Government, say at 33 cents per head, why would I have to go to one of these gentlemen and buy a permit from him? The only thing that the permit value takes into consideration is the lack of land and we cannot produce any more. That is the reason why we have permit value. It has no relation whatever to grazing fees or lack of grazing fees.

Mr. CLIFF. We think the value of the forage does have a relationship. We think that the low grazing fees that have been paid for use of public lands have a relationship to the fact that these permit value have grown up in transactions between private individuals. We think

it is a major factor. And as Mr. Hughes testified, the permittees are paying the full market value for this grazing, but they are paying part of it to each other and only part of it to the Federal Government. What we are trying to do here is over a period of time, get them to pay more of it to the Federal Government and less of it to each other.

If we ever got on fair market value, Mr. Lujan, then I think that your small permittees in northern New Mexico might possibly have a better chance to get a permit without having to pay somebody else an inflated permit value to get him to be willing to waive his permit. It can work this way, too.

Mr. LUJAN. You are softening me up by that approach.

I have no more questions.

Mr. BARING. Mr. Rasmussen, I would like to go back to your talk on page 11. You report that nearly 1,400 letters regarding the fee issue were received, by numbers, about 60 percent supported the proposal.

Now, I would like to know how many of those were users and how many of those were recreationists. If this were 1,400, 60 percent supported this proposal to raise the fee. I would like to know about what breakdown of those were users? I know the Advisory Council and all the cattlemen are against it. I have 400 others from my State alone against it and no recreationists pushing it, either. So I would like to have a statement from you in that regard.

Mr. RASMUSSEN. May I provide that for the record?

Mr. ASPINALL. If my colleague will yield to me.

Mr. BARING. I yield.

Mr. ASPINALL. If you break it down for us into the number that you sent to users and the number you sent to nonusers and then you give us the results and put them into the categories where they belong, I think this would be helpful to us. It is always so much easier to pick at somebody else's chicken.

Can you break it down that way?

Mr. RASMUSSEN. We could break it down to whether they were livestockmen or not, not whether they were permittees.

Mr. ASPINALL. Of course, this does not mean anything to us. There are some people who are just itching to get their hands on a permit for some reason or other. When the record shows that two-thirds of all the permits have been transferred for one reason or another and one-third of the permits are still held by the original permittees. And of course, it would not mean anything to us, because we do not know whom you have sent these to and we do not know what the percentages were from the different categories to whom you sent them.

Mr. RASMUSSEN. The large percentage, the 60 percent, were mainly from nonlivestock users.

Mr. ASPINALL. Of course, this is what those of us from the public land States, have been having to contend with all the time. People want to use the lands free and they want to do away with as much of the other use as they possibly can. This is one of the reasons for these hearings.

I understood you to say that everybody should be charged for the use that they have on the lands. Maybe you are getting close to a more uniform acceptance of responsibility. A man who goes on to a piece of public land and paints a picture and sells the picture for \$2,000

ought to pay a little bit for the aesthetic value he has gotten as the man who is growing a cow. Let us be a little bit sensible about this.

Mr. Chairman, with your indulgence and with your agreement and Mr. Saylor's agreement, we find we have 30 witnesses for tomorrow. There are three national organizations having to do with the livestock interests, with six national recreation agencies. There are 20 organizations other than national. There are three individual witnesses. I would ask unanimous consent that we arrange our time tomorrow so that we can hear from all of them. I suggest we allocate 2 hours for the national organizations having to do with the livestock interests; 2 hours for the national recreation witnesses having to do with the recreation group—this divides the time equally—and $2\frac{1}{4}$ hours for the 20 witnesses who appear for organizations other than national, and 15 minutes for the three individual witnesses who have asked to speak.

Now, our rules provide, as most of you know, that we are to be provided with so many copies 24 hours ahead of the presentation. Then those wishing to testify have 5 minutes of oral presentation. Then the committee takes the statement, reads it as the oral presentation is being made. Then the questioning takes place. If we do this, Mr. Chairman, I think we can be fair to all 30 witnesses tomorrow and I would ask unanimous consent that this be our procedure for tomorrow.

Mr. BARING. Without objection it is so ordered.

(The statement referred to follows:)

SUMMARY, PUBLIC AND USER COMMENTS

A major percentage of the correspondence received (822 letters in support and 518 letters in opposition) approved the grazing fee proposal and recommended its early adoption.

Primary issues raised in support of the proposal were that grazing fees have been unrealistically low since passage of the Taylor Grazing Act and the Government should receive fair market value for the forage from public lands. Supporters also expressed the belief that establishment of fair market fees will result in and encourage resource conservation rather than depletion. Improved conservation would result in more consideration of other resource uses, improvement in watershed and range condition, which would directly result in increased grazing capacity, improved rancher tenure, and better loan values. Fair market fees also increase the return of the range improvement fund which would directly benefit the livestock operator as well as the resources. It was a definite opinion that low fees are not in the general public interest.

A number of the major conservation and wildlife organizations expressed the opinion that low fees were resulting in a vested right to public lands by the stockmen rather than a grazing privilege. They strongly resisted the vested interest aspects. Some of the organizations advocated the elimination of a grazing fee and suggested competitive bidding for allocating and charging for use of public forage similar to oil and gas leasing. Others strongly opposed the 10-year-period for transition to fair market value as being unrealistic and feel it should be accomplished immediately.

On the other hand the livestock interests strongly rejected the grazing fee proposal on the ground that it usurps the duties and prerogatives of the Public Land Law Review Commission. Their contention is that the Commission is specifically addressing itself to the grazing fee question and will establish fee rates. Livestock interests also advocated Congressional Hearings on the grazing fee issue. In total, 273 protests supported either Congressional Hearings or waiting until the Public Land Law Review Commission report is completed.

In addition, 363 protests were received stating that the fee increase will be a financial hardship on the ranching industry and more particularly will force the many small operators out of business, which in effect will increase the number of poverty families.

The remaining major objection was that the fee study did not follow the original study design agreed to by industry and government agencies. One hundred fifty protests were based on this item and emphasized that the permit value was erroneously omitted as a cost item. There was no distinction between industry and individual rancher comments.

ANALYSIS OF COMMENTS SUPPORTING PROPOSED GRAZING FEES

Analysis of correspondence received on: Total through January 8, 1969.
Total correspondence received to date: 822.

Following is an analysis of the primary issues supported in the correspondence received from various organizations and individuals.

Note: A single letter may support more than one issue, thus, the total correspondence listed above will not agree with the totals in the following chart.

NUMBER OF SUPPORT COMMENTS

Basis for support	Congressional delegation	Individual livestockmen	State and local organizations	Banks and loaning institutions	Private organizations	S. & W.C.D.'s	Wildlife organizations	Recreation organizations	Conservation organizations	Individuals (other than livestock)	Total
Total comments as of _____, 1968:											
1. Transmitting correspondence and requesting information only. ¹		4	4		6		17	2	30	208	272
2. Low fees not in public interest.	1	4	2		6		16		11	103	143
3. Low fee is subsidy.											
4. Fair market value recommended and long overdue.	1	6	2		13		30	1	42	224	319
5. PLLRC should not be involved.							3			3	6
6. Will encourage resource conservation.	1	7	3		13		27	3	42	358	454
7. Will give comparability with public leases.		6			4		11	1	14	69	105
8. New formula superior to existing formula.							2		5	1	8
9. Help small ranchers compete with large ranchers.		6			1		3			13	23
10. Privilege becoming vested right.					1		19	1	21	10	52

¹ Correspondence marked in this column indicate no specific stand by the Congressmen and merely transmit correspondence received from a constituent. Specific comments detailed in the correspondence will be listed under the appropriate support category.

Note: In addition to the above analysis several public petitions were received which did not represent organizations or groups. In total these represented an additional 203 individuals. These individuals are not included in the above analysis.

ANALYSIS OF COMMENTS SUPPORTING PROPOSED GRAZING FEES

Analysis of correspondence recieved on: Total through January 8, 1969.

Total correspondence received to date: 822.

Following is an analysis of the primary issues supported in the correspondence received from various organizations and individuals.

Note: A single letter may support more than one issue, thus, the total correspondence listed above will not agree with the totals in the following chart.

NUMBER OF SUPPORT COMMENTS

Basis for support	Arizona	California	Colorado	Idaho	Montana (includes North and South Dakota)	Nevada	New Mexico	Oregon (includes Washing- ton)	Utah	Wyoming	Other	Total
Total comments as of 1968:	5	32	7	3	18	2	2	9	1	8	185	272
1. Low fees not in public interest.....	1	24	5	3	8	4	3	11	3	6	75	143
2. Low fee is subsidy.....	6	46	13	8	19	5	2	15	6	11	188	319
3. Fair market value recommended and long overdue.....		2									4	6
4. PLLRC should not be involved.....	10	71	13	5	16	3	2	12	7	11	304	454
5. Will encourage resource conservation.....	6	14	2	4	10	3	1	7	4		50	105
6. Will give comparability with public leases.....					1					1	6	8
7. New formula superior to existing formula.....			3		7	1		2	1		6	23
8. Help small ranchers compete with large ranchers.....		2		2				5		4	23	52
9. Privilege becoming vested right.....	2	8	1		7							

ANALYSIS OF COMMENTS PROTESTING PROPOSED GRAZING FEES

Analysis of correspondence received on: Total through January 8, 1969.

Total correspondence received to date: 518.

Following is an analysis of the primary issues involved in the protests received from various organizations and individuals.

Note: A single letter may protest more than one issue, thus, the total correspondence listed above will not agree with the totals in the following chart.

NUMBER OF PROTESTS PER ISSUE

Basis for protest	Arizona	California	Colorado	Idaho	Montana (includes North and South Dakota)	Nevada	New Mexico	Oregon (includes Washing- ton)	Utah	Wyoming	Other	Total
Total comments as of _____, 1968:												
1. No action pending PLLRC.....	22	13	73	27	44	21	11	13	28	7	15	273
2. Proposal complete surprise.....						3					1	4
3. Financial hardship on ranchers.....	47	14	73	39	28	35	29	10	58	15	15	363
4. Disregarded survey findings.....	13	12	33	8	13	9	10	5	27	7	5	142
5. Agencies broke faith with livestock industry.....	1		1	1	2	1	1					8
6. Additional time for comment.....	7	4	7	10	15	1	11	6	9	9	2	81
7. Present fees and formula satisfactory.....		1	7	4	1	9	2	3	2		3	32
8. Arbitrary and unconstitutional.....	1	1	1	2	2	4	1	2	1	2	1	18
9. Will force consumer prices up.....	2	1		4	1	1					1	10
10. Will reduce ranch values.....	5		2	1	2			1			2	18
11. "Lame Duck" administration.....	1	1			1	3	1		4	1	2	9

Note: In addition to the above analysis several petitions were received from livestock operators which did not represent organizations or groups. In total these represented an additional 147 individuals. These individuals are not included in analysis.

ANALYSIS OF COMMENTS PROTESTING PROPOSED GRAZING FEES

Analysis of correspondence received on: Total through January 8, 1969.
Total correspondence received To Date: 822.

Following is an analysis of the primary issues involved in the protest received from various organizations and individuals.

Note: A single letter may protest more than one issue, thus, total correspondence listed above will not agree with the totals in the following chart.

NUMBER OF PROTESTS PER ISSUE

Basis for protest	Congressional delegation	Livestock organizations	Individual livestockmen	State and local government organizations	Private organizations	S. & W.C.D.'s	Wildlife and conservation organizations	Individuals (other than livestock)	Total
Total comments as of _____, 1968:									
1. Transmitting correspondence and requesting information only. ¹	19	91	88	22	31	1		21	273
2. No action pending PLLRC		1	1					2	4
3. Proposal complete surprise		83	164	18	52	1		35	363
4. Financial hardship on ranchers	10	56	50	8	10			13	142
5. Disregarded survey findings	5	2	5		1				8
6. Agencies broke faith with livestock industry		7	22	10	12			7	81
7. Additional time for comment	7	8	18	1	2			3	32
8. Present fees and formula satisfactory		9	7		1			1	18
9. Arbitrary and unconstitutional			7		3				10
10. Will force consumer prices up		4	5						18
11. Will reduce ranch values		2	5		2				9
12. "Lame Duck" administration									

¹ Correspondence marked in this column indicates no specific stand by the Congressmen and merely transmits correspondence received from a constituent. Specific comments detailed in the correspondence will be listed under the appropriate category of protestant.

Mr. BARING. The committee will stand in recess until 9:45 tomorrow morning.

(Whereupon, at 5:20 p.m. the committee adjourned until Wednesday, March 5, 1969, at 9:45 a.m.)

GRAZING FEES

WEDNESDAY, MARCH 5, 1969

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON PUBLIC LANDS OF THE
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, D.C.

The subcommittee met, pursuant to recess, at 9:50 a.m., in room 1324, Longworth House Office Building, Hon. Walter S. Baring presiding.

Mr. BARING. The Subcommittee on Public Lands will come to order.

Our first witness this morning will be Leonard Johnson, assistant director of the national resources department, accompanied by C. H. DeVaney, assistant legislative director, American Farm Bureau.

Mr. ASPINALL. Mr. Chairman, so that we know what we are doing this morning, Mr. Johnson is one of those witnesses that has 7 minutes for delivery and for questioning in accordance with our agreement last night.

Mr. BARING. We are very happy to see at our witness table this morning our former colleague from Maine, Mr. McIntyre. You may proceed.

STATEMENT OF CLIFFORD MCINTYRE, DIRECTOR, NATURAL RESOURCES DEPARTMENT, AMERICAN FARM BUREAU; ACCOMPANIED BY LEONARD JOHNSON, ASSISTANT DIRECTOR, NATURAL RESOURCES DEPARTMENT, AND C. H. DEVANEY, ASSISTANT LEGISLATIVE DIRECTOR, AMERICAN FARM BUREAU

Mr. MCINTYRE. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee and Chairman Aspinall, my name is Clifford McIntyre. I am director of the Natural Resources Department of the American Farm Bureau Federation. I would like to introduce Mr. Leonard Johnson, assistant director of the Natural Resources Department of the American Farm Bureau, who will present the testimony of the American Farm Bureau Federation, and also Mr. C. H. DeVaney, who is assistant director of the Legislative Division of the American Farm Bureau here in Washington.

Might I say, Mr. Chairman, that to conserve time Mr. Johnson will brief this statement down very substantially. I would like to ask unanimous consent that the full statement be in the record as it will be presented to the clerk as though it were read. And may I thank

the committee on behalf of my associates for this opportunity to present testimony on this very vital issue. Thank you very kindly.

Mr. BARING. Without objection, so ordered.

Mr. JOHNSON. Mr. Chairman, members of the committee, we wish to present the views of the American Farm Bureau Federation and a general farm organization, organized in 49 States and Puerto Rico. We had 1,798,000 families this past year in 2,808 counties. Of these, 306,761 families are located in the 16 Western States who have a vital interest in this issue. This statement therefore reflects the views of the largest private landowner group in the Nation.

We favor the multiple use of public lands.

Farm Bureau supported the information and financing of the Public Land Law Review Commission. We have confidence in this Commission and feel because of the effect of this policy change upon the public land users and the grazing industry of the West that the action of the Secretary of Interior and the action of the Secretary of Agriculture in putting into effect this major public land policy change was premature. We commend the chairman of the Interior Committee and this subcommittee for stating this is the most drastic adjustment in grazing fees ever imposed.

The serious impact of this new schedule of fees on the livestock industry and the economics of the Western States fully justifies review and consideration by Congress. Involved are many issues including the place of the livestock industry on public lands. What is the meaning of "reasonable fees" and "users be afforded equitable treatment," the effect on the economy in our public land States and the effect upon the cost of managing and developing the public land resources.

In compliance with the policy statements and directives from Congress and the Bureau of the Budget, the Forest Service and the Bureau of Land Management through an interagency committee conducted a study in depth of the grazing fee issue and costs associated with grazing private and public lands. This study has added vital information which makes the discussion of these issues more meaningful.

Results of the grazing fee study, as reported to the livestock industry in Denver, Colo., on October 11 and 12, 1967, made it obvious to the Farm Bureau that a substantial grazing fee increase was under consideration. As a result the American Farm Bureau called a special multistate meeting where our leadership received at first hand from the Forest Service and the BLM and Dr. Darwin Nielson and Dr. Keith Roberts the results of the study. Following this meeting there were a number of other meetings where the issue was reviewed.

As a result of this the American Farm Bureau Federation and State farm bureaus filed strong objections to the proposed change in grazing fees announced by the Secretary in November. On December 20, 1968, we followed this objection up with more fully expressed comments in letter form to both Secretaries Freeman and Udall.

Moving through this very quickly, it has been stated that the new fee schedule by spreading it over a 10-year period has an element of gradualism that will perhaps not affect 25 percent of the users for 3 or 4 years. This gradualism applies as an annual increase in the cost of operation, but to collateral value of the permit for agricultural finance, was placed under a cloud the day the announcement was made by the

Secretaries and thereby reduced to virtually zero any appraisal credit of the grazing fee permit value.

Concern on this matter was appropriately expressed by a resolution adopted unanimously by the Farm Credit Board of Berkeley, Calif., at its regular meeting December 16, 1968. May I read just one brief paragraph:

Be it further resolved that the Governor of the Farm Credit Administration will be requested to use the influence of his office to assist in obtaining the rescission of these orders and consideration of the grazing fee request in an orderly manner as suggested above.

Similar resolutions have been adopted by the Farm Credit Boards of Spokane, Wichita, and Omaha. Other credit and loaning institutions have taken corresponding interest and concern over this issue.

The final decision to establish a new fee schedule was one made at administrative levels. We do not understand all of the objectives, but we would ask these questions. If the objective is to liquidate \$347 million of capital assets, then this objective will be accomplished. If the objective is to bring economic pressure on the small and medium size rancher, the objective will be obtained unless action to the contrary is taken promptly. If the objective is to reduce the capability of ranchers to invest private capital and personal incentive in better range management, the results will develop rapidly. If the objective is to reduce employment in ranch and rural communities of public land States, it will be achieved in 3 to 5 years. If the objective is to place additional tax burden on the rural communities and on public land agencies for personnel and funds to manage the lands, this objective will be obtained.

Because the announced——

Mr. BARING. That is the 7 minutes, gentlemen. We are very sorry to have to cut you off, but we have to complete the witnesses today.

Mr. JOHNSON. Let me just make one comment. Your bill introduced this week, H.R. 7959, requesting that this legislation, this issue be postponed until 1970, we concur in the objectives of this legislation, Mr. Chairman.

Mr. BARING. I thank you very much. I certainly agree with that.
(The statement follows:)

STATEMENT OF THE AMERICAN FARM BUREAU FEDERATION, PRESENTED BY LEONARD JOHNSON, ASSISTANT DIRECTOR, NATURAL RESOURCES DEPARTMENT, AND C. H. DeVANEY, ASSISTANT LEGISLATIVE DIRECTOR

We appreciate this opportunity to present the views of the American Farm Bureau Federation on the increased grazing fees recently put into effect for public lands.

Farm Bureau is the largest general farm organization in the United States, with member state organizations in 49 states and Puerto Rico. At the first of this year, total membership amounted to 1,796,641 families who are members of County Farm Bureaus in 2,808 counties. Of these, 306,761 families are located in the 16 Western states.

Farm Bureau members and leaders have followed with great interest the grazing fee study by the intel-agency committee of the Bureau of Land Management, the United States Forest Service, and the Economic Research and Statistical Reporting Service.

An extensive review of this study was made prior to the 1968 annual meetings of the member State Farm Bureaus.

Acting on recommendations of these state organizations, the voting delegates

to the 50th Annual Meeting of the American Farm Bureau in Kansas City, Missouri, in December 1968, adopted the following policy:

"We favor the multiple use of public lands.

"It is the inherent objective of good farmers and ranchers to improve the productiveness of the land and related resources under their ownership and management. The same objective will be sought by farmers and ranchers in the use of public lands if they are provided security of investment and constructive opportunity for sound economic use of capital and personal incentive.

"We supported federal legislation establishing the Public Land Law Review Commission. We hold that a comprehensive review of administrative practices, regulations, policies, and statutes relative to public lands is vital to the sound and effective use of these resources. We recommend that, as this study is conducted, full recognition be given to established state water laws. The conclusions and recommendations of the Commission are of vital concern to farmers and ranchers. We believe Congress and all federal agencies administering public lands should withhold any changes in basic policy, fees, and regulations for use until the Commission has completed its report."

The issues relating to public lands have been a vital part of American history. Strong forces, in many sectors of interest, have challenged each other in forging public policy, administrative procedures, the concepts of economic and political development of the region, transfer of portions of the federal public lands to state ownership or private ownership, permits for use, management responsibilities, and a multitude of other decisions.

Farm Bureau supported the formation and the financing of the Public Land Law Review Commission. This Commission was charged with the responsibility of making an exhaustive study of our public lands and recommending to Congress changes in current legislation and regulations with regard to these lands. We have confidence in this Commission and feel that the action of the Secretaries of Interior and Agriculture in putting into effect increased grazing fees on public lands was premature.

We concur with the observation of Senator Church of Idaho in his letter of December 13, 1968 addressed to Secretary Udall, with similar letter to Secretary Freeman, when he stated:

"Your recent announcement of the joint decision, taken by the Departments of Interior and Agriculture to raise grazing fees on BLM and Forest Service land from the current average rate of 33¢ per A.U.M. to \$1.23 per A.U.M., in incremental stages over the next 10 years, must represent the most drastic adjustment of grazing fees ever imposed."

The serious impact of the new schedule of fees on the livestock industry of the Western states fully justifies consideration by the Congress. Involved are many issues including public policy as to the place the livestock industry holds in using the renewable resource of forage on public lands; what in fact is meant by the terms "reasonable fee charges" and "users be afforded equitable treatment"; and, furthermore, what opportunity is to be held open for a rancher-permittee to use his managerial skills and capital in carrying on a successful ranching enterprise.

It is our understanding that the guiding principles for all governmental user charges were set forth by the Congress in the Independent Offices Appropriations Act of 1952 (5 USC 140). The Comptroller General called attention in 1958 to the different methods then being used by federal agencies to set grazing fees. In 1959, a general governmental policy for all federal user charges was established and described in the Bureau of the Budget Circular No. A-25. In compliance with policy statements and directives from the Congress and the Bureau of the Budget, the Forest Service and the Bureau of Land Management assembled and pooled data and made an in-depth analysis of grazing fees. A technical committee of the Statistical Reporting Service, Economic Research Service, Forest Service, Bureau of Land Management, and Bureau of the Budget directed the effort. This study has added vital information to an analysis of costs of grazing on the public lands.

The magnitude of the study is understood in part when one realizes that 47,000 grazing permits are issued to farmers and ranchers by the two agencies administering national forests and public lands.

The intensive survey produced data needed to estimate grazing values on 98 national forests, 19 national grasslands, and 48 BLM districts in 17 Western states. Some 10,000 individual ranchers were interviewed in the survey, and

more than 14,000 questionnaires were collected. Thirteen non-fee costs of using public and private lands were incorporated in this study. (Release of Nov. 15, 1968). In addition, there were contracts made with leading universities having competent range economists for evaluations of this data, to bring to the study the benefit of their technical competence and observations. Among these were Dr. Keith Roberts and Dr. Darwin Nielsen of Utah State University. We have found their studies very helpful.

Results of the grazing fee study, as reported to the livestock industry in Denver, Colorado on October 11 and 12, 1967, made it seem obvious that a substantial grazing fee increase was under consideration. The American Farm Bureau Federation called a special multi-state Farm Bureau grazing fee meeting at Salt Lake City, Utah on January 18, 1968. The Salt Lake City meeting provided an opportunity for background information to be given to State Farm Bureau presidents, other State Farm Bureau officers, and members of State Farm Bureau natural resources committees. This meeting had the benefit of information presented by Mr. R. M. DeNio, director of range management, U.S. Forest Service; Dr. Glen Fulcher, Bureau of Land Management; and Drs. Roberts and Nielsen of Utah State University. We have continued an active interest in the issue.

The American Farm Bureau Federation filed strong objections to the proposed changes in grazing fees announced by Secretaries Udall and Freeman on November 14, 1968. On December 20, 1968, views were more fully expressed in letters to Secretary Freeman and Secretary Udall. (Copies are attached.)

Economic studies are developed to provide factual information for making decisions. The grazing fee study served this purpose, but it should be understood clearly that disposition of the capitalized permit value was a primary objective. In the publication entitled "Studies, Alternatives and Recommendations On The Forest Service Grazing Fee Issue," dated November 12, 1968, the following sentence appears on page 1 of the summary:

"Disposition of this permit value per se is the most important aspect of the grazing fee issue."

One can raise serious questions about the relationship of lease rates on private lands to reasonable AUM rates on public lands. A computer may work out a comparative formula, but often a formula is more theoretical than practical. We believe time will prove this true in relation to grazing fees.

An examination of the government's grazing fee study findings reveals no appreciable difference between the cost of grazing public lands and the cost of grazing comparable private lands. Therefore, no fee increase is required in order to collect the full value of the forage used by domestic livestock. Competent economists who have examined the grazing fee study data agree that domestic livestock operators on public lands are currently paying the full value of the forage harvested.¹

A modest increase in rate per AUM would increase the cost of ranch operations. To double or quadruple the rate is a crucial action. Add to this the stated intention to liquidate about \$350 million of capital assets and you have catastrophe for many ranchers. On pages 11 and 12 of the previously mentioned report, the Forest Service made the following observations:

"The increased expense would lead to an equal decrease in net income, since ranchers gross income would not change materially."

"The reduced net income would be reflected in lower ranchers expenditures in the local economy. The size of the impact would be magnified by the multiplier effect of these expenditures."

"The disposition of the capitalized permit value is a very real consideration. This value is estimated at \$178 million. It is used as partial collateral for long-term mortgages having an estimated face value of \$330 million.

"A fee increase plus the loss of the permit value would affect the rancher and the leading institutions two ways. First, the increased costs without compensating returns would leave the permittee in a much weaker position to pay off his mortgage. Secondly, the loss of permit value would remove an asset previously used as collateral. In either case the permittee would experience difficulty in ob-

¹ Dr. Darwin B. Nielsen and Dr. Keith Roberts, "Position Statement on Current Grazing Fee Issues and Problems," Department of Agricultural Economics, Utah Agricultural Experiment Station, Utah State University, Logan, Utah. (Ag. Econ. Series 68-3, Nov. 19, 1968—revised.)

taining future mortgages. A loss of permit value now would leave many permittees with an outstanding debt for an asset that would not longer exist."

The figures quoted, we understand, reflect only Forest Service permittees so one can virtually double them to measure the full impact on the credit resources of ranchers using federal public lands.

The new rate schedule embraces a theory of gradualism by spreading the increases over a 10-year period. This applies as an annual increase in cost of operations, but the collateral value of the permit for agricultural finance was placed under a cloud the day the announcement was made by Secretary Freeman and Secretary Udall and thereby reduced to virtually zero in any appraisal for credit.

Concern on this matter was appropriately expressed by a resolution adopted unanimously by the Farm Credit Board of Berkeley, California at its regular meeting on December 17, 1968. The resolution was as follows:

RESOLUTION

Whereas this Board has been informed that the Department of Agriculture and the Department of the Interior have issued orders which will increase the grazing fees on public lands for the year 1969 from 33 cents per animal unit to 44 cents per animal unit per month, with further increases over a 10-year period until such fees reach the amount of \$1.23 per animal per unit per month; and

Whereas such increase in grazing fees will add substantially to the annual operating costs of ranchers being served by Federal land bank associations and production credit associations, resulting in even narrower margins of operating income or increasing operating losses now being suffered by many such ranchers; and

Whereas such increased costs and the adverse effect on operating margins may also adversely affect the credit quality of loans held by Farm Credit banks and associations. Now, therefore, be it

Resolved, That it is the view of this Board that the Secretary of Agriculture and the Secretary of the Interior should rescind the orders increasing these grazing fees on public lands and not take action with respect to grazing fees prior to the completion of a report by the Public Lands Law Review Commission, which commission has been appointed by the Congress and is now engaged in such review, and until the completion of any hearings by the Congress which might result from such commission report; and be it further

Resolved, That the Governor of the Farm Credit Administration be requested to use the influence of his office to assist in obtaining the rescission of these orders and consideration of the grazing fee question in an orderly manner as suggested above; and be it further

Resolved, That a copy of this resolution be sent to Mr. Paul Dobson, member of the Federal Farm Credit Board, and the chairman of the Farm Credit Board and the chairman of the President's Committee in the other Farm Credit districts which have within their borders substantial amounts of public grazing lands.

CERTIFICATION

I, Jack Bedford, secretary of the Farm Credit Board of Berkeley, do hereby certify that the foregoing is a true and correct copy of a resolution adopted by said Board at a regular meeting duly held on December 17, 1968.

In witness whereof, I have hereunto set my hand this 17th day of December, 1968.

_____, Secretary.

It is our understanding that resolutions of a similar nature were adopted by the Board of Directors of Farm Credit Districts of Spokane, Wichita, and Omaha. These four districts comprise those that serve the Western states in which grazing of public lands is important to the livestock industry. To the interest of the Farm Credit Systems should be added the lending operations of the Farmers Home Administration and commercial banks and local sources of credit.

The Forest Service went on to say:

"It is likely that an increase in grazing fees will cause a decline in cooperative work. Presently, Forest Service range permittees contribute about \$1.3 mil-

lion a year in the installation, construction and maintenance of Federally owned range improvements. If Cooperative work declines, the Federal Government will bear the burden in some combination of the following ways: (1) increased appropriations for necessary range improvement construction and maintenance; (2) value of Federally owned land will decline due to deteriorating range-land and watersheds; and (3) declining or lowering rates of increase in fees collections due to decreases in capacity and use."

That these results are obvious is supported by a BLM and Forest Service regional study in 1961 indicating an average return on capital of cattle operations using public lands to be 2 percent and sheep operations of 2.6 percent. Costs and market competition have increased since that time. This hardly supports the contention of many non-ranchers that there is a cheap feed subsidy or windfall in the use of public lands under the present level of costs and risk on invested capital.

It is our view that the permit value reflects a monetary consideration for the capital improvements of the public range made largely by the rancher. It also reflects the quality of the range and also, of course, the privilege of use of the specific range involved. Federal agencies have approved not only the transfer from rancher to rancher but have approved the collateral commitment to lending institutions. In instances of withdrawal of public lands from continued use by a permittee the Congress has recognized that a situation existed in which the permittee should receive compensation for denial of use under the permit. An amendment to the Taylor Grazing Act, dated July 9, 1942 (USC 315q) provided that persons holding grazing permits or licences shall be paid such amount as the head of the department "shall determine to be fair and reasonable for losses suffered by such person." This Act expired at the end of World War II but was re-enacted in the same form in 1949. This involved lands withdrawn for war or national defense purposes but the value of a permit beyond the current grazing season was recognized.

On page 14 of the report entitled "Studies, Alternatives and Recommendations on the Forest Service Grazing Fee Issue", dated November 12, 1968, in suggesting seven alternatives for decision by the Secretaries, the Technical Committee's first alternative listed was as follows:

"Recognize the permit value as a cost to the permittee thus leaving the grazing fee essentially unchanged. (This would be in accord with the livestock industry position and recommendations of the Secretary's Advisory Committee on Multiple Use of the National Forests)."

The final decision to establish a new fee schedule was one made by the Administration at a high level. Those not privy to all the evaluations and objectives can only raise questions. If the objective was to—

1. Liquidate \$343 million of capital assets in permits outstanding, then this is well on the road to accomplishment.
2. Bring economic pressure on small, medium-sized and many large ranchers, the objective will be attained unless action to the contrary is taken promptly.
3. Reduce capability of ranchers to invest private capital and personal incentive in better range management, that result will develop rapidly.
4. Reduce employment on ranches and rural communities of public land states, such results should be evident in three to five years.
5. Place an increasing burden on public agencies for personnel and funds to manage lands, this objective will be attained as ranchers adjust to increased costs by withdrawing operations from thousands of acres of land that will be increasingly unprofitable as rates increase. To this will be added increased fire hazard, poorer range for wildlife, and further decline of water resources.

Because the announced grazing fee increase will have a serious and adverse impact on the management and development of the public lands and upon the economy of the nation, Farm Bureau respectfully recommends to this Subcommittee that the fee increase be rescinded until the related studies of the Public Land Law Review Commission are available.

The Senate currently has before it two pieces of legislation dealing with this issue. S. 716, by Senator McGee of Wyoming, Senator Moss of Utah, and others, would require the consideration of a return on capital invested in permits as a factor in the cost of annual operations on public lands.

S. 1063, by Senator Montoya of New Mexico, sets aside the decision of the Secretary of Agriculture and the Secretary of Interior with regard to increased grazing fees and sets up machinery for considering this matter after January 1, 1971. We believe both of these bills deserve consideration by the Congress. We concur in the objectives of both.

We hope that similar bills will be introduced and passed by the House of Representatives.

AMERICAN FARM BUREAU FEDERATION,
INFORMATION DIVISION,
Chicago, Ill.

CHICAGO, ILL., December 22.—The American Farm Bureau Federation today asked that a proposed increase in livestock grazing fees on public land not be made until the Public Land Law Review Commission, established by Congress, completes its report on basic policy, fees and regulations. The Commission is expected to complete its report in 1970.

Charles B. Shuman, president of the Federation, has sent letters to Secretary of Agriculture Orville Freeman and Secretary of the Interior Stewart Udall reporting on the policy action taken by the voting delegates of the member State Farm Bureaus at the Federation's annual meeting in Kansas City, Missouri, in December.

The Secretary of Agriculture and the Secretary of the Interior on November 14, 1968, announced increases in grazing fees on public lands which in the next 10 years would amount to about 250 percent on Forest Service land and about 400 percent on Bureau of Land Management lands. In the joint announcement, the Secretaries requested comments and recommendations from interested groups on the proposed grazing fees. Shuman's letter was in response to this request.

The Federation president said that the grazing fee proposal will hit hardest against the small to medium-sized rancher as the ability of the larger operator to adjust is usually greater than the small operator.

Shuman also reported that government study figures show that users of grazing permits are receiving 2 percent or less on their investment. Over 50 percent obtain between 1 percent and 3 percent, about one-fourth receive less than 1 percent.

He pointed out that the increase in fees not only raises annual grazing costs but has it seems, as its primary objective, the complete liquidation of capital assets valued currently at about \$350,000,000.

These increases of fee costs, coupled with other increases in costs of operations, he said, will result in the liquidation of probably 25 percent of the individual ranches now holding grazing permits and a resulting depressing effect on the local, county and state economy of 11 Western states.

Shuman further pointed out in his letter to the Secretaries of Agriculture and Interior that the private sector for over 25 years has used grazing permits for collateral of credit needed for ranch operations including the rancher's capital outlay for improvements on public ranges. The accrued value of the permits held by ranchers, he said, is reported in a recent study to total \$168 million on Forest Service and \$175 million on public lands, or a total of \$343 million.

"The increase in fee costs," Shuman wrote, "weakening of credit, lack of available capital for private investment in range improvement and lack of appropriations to the public agencies for range improvement will force thousands of acres now grazed to become totally uneconomic.

"Cooperation and investment in range improvement by ranchers will be seriously affected. The reduced incentive for personal investment and cooperation in range management both for livestock and wildlife will be a serious loss to the total effort to secure good management of the public lands. It cannot be replaced by Congressional appropriations or additional public employees.

"The fee increase proposal places great emphasis on the comparison of grazing fees on public lands with fees paid for grazing on private lands, but little note is made that the study (conducted with the joint cooperation of the Bureau of Land Management and Forest Service together with the Economic Research Services of the U.S. Department of Agriculture) also reports that the cost of operation in grazing the public lands is often higher than grazing on private lands.

"Using fees paid for private lands as a basis for calculating appropriate fees on public lands leaves many questions unanswered and should have far more study.

"The fee increase will present local communities with added economic problems, a result very much opposite to the objectives of the rural development effort being made by the Administration.

"Our voting delegates to the Federation's annual meeting in December in Kansas City, Missouri, adopted a policy on this matter which states:

"We believe Congress and all federal agencies administering public lands should withhold changes in basic policy, fees and regulations until the Public Land Law Review Commission has completed its report."

The following telegram was sent to Chief of U.S. Forest Service, Edward P. Cliff, and Secretary of Agriculture, Orville Freeman:

"The American Farm Bureau Federation strongly opposes major change in grazing fee policy on lands administered by the Forest Service as you have announced in joint release with Secretary Udall, November 14, 1968.

"Major change in fee structure and policy should not be made until report and recommendations of the Public Land Law Review Commission are submitted to Congress and reviewed by parties interested in public land policy.

"Strongly urge you not invoke proposed fee changes. Will file further views following annual meeting of delegate body of our organization.

"CHARLES B. SHUMAN,
"President, American Farm Bureau Federation."

The following telegram was sent to Secretary of the Interior, Stewart L. Udall, and Director of Bureau of Land Management, Boyd L. Rasmussen:

"The American Farm Bureau Federation strongly protests the proposed changes in grazing fees on BLM lands outlined in joint release with Secretary Freeman, dated November 14. This proposed major change in fee policy should not be made until report and recommendations of the Public Land Law Review Commission are submitted to Congress and reviewed by parties interested in public land policy. Under privilege provided in proposed rule making published in the Federal Register, November 16, 1968, we shall file views within 45 days.

"CHARLES B. SHUMAN,
"President, American Farm Bureau Federation."

AMERICAN FARM BUREAU FEDERATION,
Washington, D.C., December 20, 1968.

SECRETARY ORVILLE L. FREEMAN,
U.S. Department of Agriculture,
Washington, D.C.

DEAR MR. SECRETARY: The grazing fee study conducted with the joint cooperation of the Bureau of Land Management and Forest Service, together with the Economic Research Service of the Department, has been the subject of deep interest on the part of the American Farm Bureau Federation. In addition, study has been made of the reports of Drs. Neilsen and Roberts of Utah State University and the views of many other well-informed people. Thousands of ranchers who are members of State Farm Bureaus of the western states have been deeply interested and concerned.

In response to this interest the American Farm Bureau Federation called a special multi-state Grazing Fee Conference at Salt Lake City on January 16, 1968. Mr. DeNio of the Forest Service and Dr. Glen Fulcher of the Bureau of Land Management were present and made very helpful contributions to the Conference.

The joint press release of November 14, 1968 issued by you and Secretary Udall indicated that you were requesting comments and recommendations relative to the major increases in fees which you proposed to place into effect. Please consider this letter the response of the American Farm Bureau Federation to your request.

Since that date we have continued our analysis of available material and we have had discussions both with the membership and with knowledgeable persons outside our state and national organizations. The Elected Voting Delegates of

the Member State Farm Bureaus to the 50th Annual Meeting of the American Farm Bureau meeting in Kansas City, Missouri, December 9-12, 1968, adopted the following policy:

"We believe Congress and all federal agencies administering public lands should withhold changes in basic policy, fees and regulations for use until the Commission (Public Land Law Review Commission) has completed its report."

In relation to the changes which you and Secretary Udall propose, may we make the following comment and observations:

1. The primary objective seems to be to liquidate any accrued value that exists in permits that the private sector buys and sells and often uses for collateral and established sources of credit needed for ranch operations, including the rancher's capital outlay for improvements on the public ranges. This accrued value held by the ranchers is reported in the study to total \$168 million on Forest Service and \$175 million on public lands, a total of \$343 million.

2. The proposed changes would increase user fees over 250 percent on Forest Service and 400 percent on public lands and an additional annual increase of \$7.1 million on Forest Service permits.

3. Inflationary forces already have placed a heavy burden on ranchers as it has all segments of the economy of this country. These proposed fee increases weaken the credit structure of the ranching operation, seriously reduces the value of base ranches and depresses the local, county and state economy.

4. Projections on the impact of this proposal by informed persons indicate that the increases in cost and lack of credit will force hundreds of small and medium-sized ranchers to liquidate. It will force all ranchers using permits to reconsider any further investment in improvement of base ranches and any future capital expenditures for improvement of the public range.

5. The study reports that users of grazing permits are receiving 2 percent or less on their investment. Over 50 percent obtain between 1.0 percent and 3.0 percent, about one-fourth receive less than 1 percent. Only about one-fifth receive over 4 percent. Nearly one-half of the users of permits are small to medium-size ranchers with less than 1,000 AUMs for cattle and less than 1,000 AUMs of sheep.

The grazing fee proposal will hit hardest against the small to medium-sized rancher.

What may be called larger ranchers use only about 11 percent of cattle AUMs and 5.7 percent of sheep AUMs. The proposed increase will force the financially weak out of business because the ability of the larger operator to adjust is usually greater than the small and medium rancher. The small operators will bear the heaviest part of the burden.

6. The projected increase in receipts to the federal treasury may not be realized and it seems reasonable to expect that the state and county share (25 percent) will eventually decline. The increase in fee costs, weakening of credit, lack of available capital for private investment in range improvement and lack of appropriations to the public agencies for ranch improvement, will force thousands of acres now grazed to become totally uneconomic.

Cooperation and investment in range improvement by ranchers will be seriously affected. The reduced incentive for personal investment and cooperation in range management both for livestock and wildlife will be a serious loss to the total effort to secure good management of the public lands. It cannot be replaced by Congressional appropriations or additional public employees.

7. The fee increase proposal places great emphasis on the comparison of grazing fees on public lands with fees paid for grazing on private lands but little note is made that the study also reports that the cost of operation in grazing the public lands is higher than grazing on private lands. Using fees paid for private lands as a basis for calculating appropriate fees on public lands leaves many questions unanswered and should have far more study.

8. The fee increase will present local communities with added economic problems, a result very much opposite to the objectives of the rural development effort being made by the administration.

We would appreciate your serious consideration of these views and strongly urge that you not approve the grazing fee proposal you announced on November 14, 1968.

Respectfully submitted,

CHARLES B. SHUMAN,

President.

AMERICAN FARM BUREAU FEDERATION,
Washington, D.C., December 20, 1968.

Secretary STEWART L. UDALL,
Department of the Interior,
Washington, D.C.

DEAR MR. SECRETARY: Please consider this letter a response to the privilege provided in the Rule making procedure relative to the publication in the Federal Register of November 15 of the proposed changes in grazing fees in the use of lands managed by the Bureau of Land Management.

The grazing fee study conducted with the joint cooperation of the Bureau of Land Management and Forest Service together with the Economic Research Service of the Department has been the subject of deep interest on the part of the American Farm Bureau Federation. In addition, study has been made of the reports of Drs. Neilsen and Roberts of Utah State University and the views of many other well-informed people. Thousands of ranchers who are members of State Farm Bureaus of the western states have been deeply interested and concerned.

In response to this interest the American Farm Bureau Federation called a special multi-state Grazing Fee Conference at Salt Lake City on January 16, 1968. Mr. DeNio of the Forest Service and Dr. Glen Fulcher of the Bureau of Land Management were present and made very helpful contributions to the Conference.

The joint press release of November 14, 1968 issued by you and Secretary Freeman indicated that you were requesting comments and recommendations relative to the major increases in fees which you proposed to place into effect. Please consider this letter the response of the American Farm Bureau Federation to your request.

Since that date we have continued our analysis of available material and we have had discussions both with the membership and with knowledgeable persons outside our state and national organizations. The Elected Voting Delegates of the Member State Farm Bureaus to the 50th Annual Meeting of the American Farm Bureau meeting in Kansas City, Missouri, December 9-12, 1968, adopted the following policy:

"We believe Congress and all federal agencies administering public lands should withhold changes in basic policy, fees and regulations for use until the Commission (Public Land Law Review Commission) has completed its report."

In relation to the changes which you and Secretary Freeman propose, may we make the following comment and observations:

1. The primary objective seems to be to liquidate any accrued value that exists in permits that the private sector buys and sells and often uses for collateral and established sources of credit needed for ranch operations including the rancher's capital outlay for improvements on the public ranges. This accrued value held by ranchers is reported in the study to total \$168 million on Forest Service and \$175 million on public lands, a total of \$343 million.

2. The proposed changes would increase user fees over 250 percent on Forest Service and 400 percent on public lands and an additional annual increase of \$11 million on BLM permits.

3. Inflationary forces already have placed a heavy burden on ranchers as it has all segments of the economy of this country. These proposed fee increases weaken the credit structure of the ranching operation, seriously reduces the value of base ranches and depresses the local, county and state economy.

4. Projections on the impact of this proposed by informed persons indicate that the increases in cost and lack of credit will force hundreds of small and medium-sized ranchers to liquidate. It will force all ranchers using permits to reconsider any further investment in improvement of base ranches and any future capital expenditures for improvement of the public range.

5. The study reports that users of grazing permits are receiving 2 percent or less on their investment. Over 50 percent obtain between 1.0 percent and 3.0 percent, about one-fourth receive less than 1 percent. Only about one-fifth receive over 4 percent. Nearly one-half of the users of permits are small to medium-sized ranchers with less than 1,000 AUMs for cattle and less than 5,000 AUMs for sheep.

The grazing fee proposal will hit hardest against the small to medium-sized rancher.

What may be called larger ranchers use about 15 percent of cattle AUMs and 45 percent of sheep AUMs. The proposed increase will force the financially weak out of business because the ability of the larger operator to adjust is usually greater than the small and medium rancher. The small operators will bear the heaviest part of the burden.

6. The projected increase in receipts to the federal treasury may not be realized and it seems reasonable to expect that the state and county share (25 percent) will eventually decline. The increases in fee costs, weakening in credit, lack of available capital for private investment in range improvement and lack of appropriations to the public agencies for ranch improvement, will force thousands of acres now grazed to become totally uneconomic.

Cooperation and investment in range improvement by ranchers will be seriously affected. The reduced incentive for personal investment and cooperation in range management both for livestock and wildlife will be a serious loss to the total effort to secure good management of the public lands. It cannot be replaced by Congressional appropriations or additional public employees.

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8. The fee increase will present local communities with added economic problems, a result very much opposite to the objectives of the rural development effort being made by the administration.

We would appreciate your serious consideration of these views and strongly urge that you not approve the grazing fee proposal you announced on November 14, 1968.

Sincerely,

CHARLES B. SHUMAN,
President.

Mr. BARING. Our next set of witnesses—due to the matter of meeting a plane—we are taking next William C. Davis, executive secretary of the Arizona Cattle Growers' Association.

Mr. ASPINALL. Mr. Chairman, I understand that Floyd Beach will be heard first this afternoon so he can make his plane, too.

Mr. BARING. Again, we want to remind you, 7 minutes gentlemen for questioning.

Mr. STEIGER. Mr. Chairman, if I may, if the record could show that the gentlemen with Mr. Davis is Mr. Brad Stewart, who is the president of the Arizona Cattle Growers Association, and associating himself with these remarks is Mr. Pete Espil, who is president of the Arizona Wool Growers Association who was with us yesterday but was unable to stay today. I thank the chairman.

Mr. BARING. You may proceed.

Mr. UDALL. Let the record also show that these are fine and noble gentlemen and residents of a very great State.

STATEMENT OF WILLIAM C. DAVIS, EXECUTIVE SECRETARY, ARIZONA CATTLE GROWERS' ASSOCIATION

Mr. DAVIS. Thank you, Mr. Chairman. Thank you Congressmen from Arizona and other gentlemen of the Committee.

We will brief the statement and I think bring out some of the highlights that might bear future study, Mr. Chairman.

First of all, I think that a necessary operation will be to analyze very closely the use of fair market value in arriving at fees for grazing, and when this analysis is made we have to bear in mind that a really and a

true fair market value would be not only price received for the product but also consideration for all of the costs involved on operating public lands.

We have various studies quoted in our statement about the cost of production and the return on the investment to the Arizona ranchers. One of these studies shows that under the present fee level, about 5.6 percent of the cost of running the cow is involved with the fee itself. At the end of 10 years under the present program this would escalate to 16 percent of the cost of running one cow. The fees themselves would go that high.

Another study shows the return on the investment to the Arizona rancher, a study of 21 typical ranches ranging from 36 head up to 700 head in various parts of the State. It shows 10 of these had a negative return on the investment, 11 had a positive return, and this averaged out to 1.36 percent return on investment.

Another study shows the tremendous variation in the areas right within one State. This was a study also done by the University of Arizona. And the net profit from the 25 different models varied from minus \$7.23 per head return to a plus \$7.61. Thus there is about a \$15 spread, variation in return per cow in these ranches. And this simply points out and we hope emphasizes the fact that further consideration must be given to the variability of fees instead of a uniformity for all of the Western States using public lands.

I might also state that the statewide average of these two figures that I just gave you was \$1.92 return per animal, a very, very low figure.

Another assumption that was made when the study was taken was that these lands are truly competitive and comparable, and we question this very much. We think that to be truly competitive the supply and quality of each must be approximately equal, and we think that the conditions of a lease must be approximately equal. We do not believe that enough consideration was given to multiple use. If you had an apartment house occupied by 15 or 25 tenants, I do not believe you would ask one or two of them to pay the same price as they would if they had exclusive use of that same building.

The rancher in financing the improvements has found himself in a position lately of being asked to finance 100 percent from his own funds these improvements with a management plan, and of course if he does not do this, then he faces a very severe cut in his numbers or a loss of the permit at the very worst. We do not believe enough consideration was given to the public values accruing to the public land by the use of livestock. All of these investments that are made on behalf of the rancher and by the rancher are also used by the various recreation groups, particularly wildlife groups. And we think that more needs to be done in this regard. In an arid country like Arizona, watering places and water developments have actually been lifesavers for both men and animals, and without this management and conservation practiced by the ranchers much of Arizona could very well become a biological desert of very little economic use and even less practical use for the general public.

We think that this matter of the permit value or the interest on the investment is a necessary item in any consideration because a cost item identical to the one disregarded by the Government is built into

the lease paid for private land. It is part and parcel of it. Mr. Wold brought that out very ably yesterday.

I would like to ask and perhaps somewhere along the line get the answer to the question—

Mr. ASPINALL. Mr. Chairman, the witness has no right to ask any questions and expect an answer from the committee.

Mr. DAVIS. I am sorry, sir. The question would be directed to the agency people, and I should have qualified that.

Mr. ASPINALL. All right.

Mr. DAVIS. My question to the agency people would have been, if the interest factor were used what proprietary interest or right would be created that does not already exist? And we do not believe that the inclusion or deletion of one factor in a formula would increase or decrease rights. It would not allow a rancher to run any more or less cattle. It would not give him any more or any fewer rights than he now has. It would not give him any more or less access, and it would not give any more or less access to the land, to the hunter, the fisherman, the rock hound, or the general public.

We think that one group that is involved in this whole consideration that has not been heard from is the Farmers' Home Administration, and they have been deeply involved in many loans, and we think that their clients should have some consideration in this and that therefore they probably should be heard from, too.

On page 9, of my statement, I have listed a list of negative values accruing by the use of the public lands that we believe should be considered in any cost study or any fee formulation.

I have also listed what we believe to be certain plus factors in the proposed fee formula. And we have come up with three of those that we think might be plus factors. We have also listed some 10 negative factors in this. I would like to specifically call your attention to point No. 5 in this regard.

Mr. BARING. That is the 7 minutes. I want to state that you have a very excellent statement there. I wish that we had time to finish.

Mr. STEIGER. Mr. Chairman with your permission, I would make an unanimous consent request that a letter that Mr. Davis has in his possession be entered also as a part of the record. It indicates the financing problem which the grazing fee increase has created.

Mr. ASPINALL. Reserving the right to object, and I shall not object, I ask the gentleman to change it to any correspondence, any telegrams, any statements may come in that do not have permission to be printed in the record providing they are in accordance with the wishes of the chairman of the subcommittee and his counterpart and the rules of this committee.

Mr. STEIGER. I would be happy to, Mr. Chairman.

Mr. BARING. Without objection, so ordered. Thank you very much, gentlemen.

(The statement and letter follow.)

STATEMENT OF WILLIAM C. DAVIS, EXECUTIVE SECRETARY, ARIZONA CATTLE GROWERS' ASSOCIATION

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, my name is William C. Davis. I am Executive Secretary of the Arizona Cattle Growers' Association. We have 1,636 members. The latest United States' Census shows 1,654 livestock operations

in Arizona. There are 1,560 Bureau of Land Management and Forest Service leases and permits in Arizona, so it is easy to see that public land grazing is a vital part of the Arizona range livestock industry.

Ranchers, financial managers and knowledgeable citizens are gravely concerned over the recently announced increases in public land grazing fees; an increase based on neither law nor economics, but based rather on the fact that the United States has a near-monopoly and can thus dictate its own terms and let the devil take the hindmost.

The term "fair market value" has been coined for the first time in connection with grazing fees on public land. Because it is new in this instance we believe it should be more closely analyzed than it has been to date. In so doing two questions come immediately to mind: (1) What factors should be used to arrive at an ultimate "fair market value"? and (2) Is it (fair market value) a yardstick that can be accurately applied to grazing fees?

In response to the first question I believe we have to decide what is being sold, and under what conditions. It is forage that is being sold, and the true value of forage depends upon its price in the market. In the case of grazing this means converting the price paid for grass into the price received for beef. Some recent studies in Arizona show that it would take only minor increases in the cost of production to make most ranches unprofitable.

One study¹ shows the cost of running one cow for one year on a typical Arizona ranch is \$82.50 before making any interest payment on land investment. This typical ranch uses a combination of Bureau of Land Management, Forest Service and State lands. Profit or loss depends to a great degree on percentage of calf crop. Parenthetically, I should add that a high percentage of marketable calves is very difficult to attain in the public land areas of Arizona because of the roughness of the country, the comparatively low carrying capacity which means widespread cattle, and a high population of predators. Under last year's level, grazing fees amounted to 5.6 percent of the cost of running a cow. Under the announced increase, at the end of ten years, fees would escalate to about 16 percent of the cost.

A second study² contains a table of Arizona cattle ranch income summaries. Ranches range in size from 34 head to 700 head, located in six different productive type areas of the state for a total of 21 representative Arizona operations. Percent of return to capital and management on these ranches varies from negative on ten ranches to as high as 5.2 percent. The three ranches with the highest return were from the western desert in years when stocker steers were pastured; however, because of a lack of regular precipitation in this area it is possible to run steers only once every four years on the average. A weighted average return would be about 1.7 percent per year in the Western Desert. The average return on investment on just the eleven ranches which had a positive return is 1.36.

A third University of Arizona study³ was conducted for our State Department of Property Valuation for property tax purposes. For this study a "synthetic" ranch of 450 animal units was created and placed in various areas of the state. Ranch size and cost of operation were developed for each location. Net profit from the 25 different models varied from -\$7.23 to \$7.61 per animal unit. The state-wide average was \$1.92 per animal unit. In this study they assumed no cash return to owner as one of the costs, but they did make \$4,800.00 per year allowance for a manager.

From these three studies, and others from around the country it can be seen that the actual market value of forage is very low. Nothing appears in the immediate or near future outlook on costs or prices that would materially increase that true value.

Other factors that were claimed to be used in arriving at a so-called fair market value were the supposed comparability and competitiveness between private and public grazing lands. To be truly competitive the supply and quality of each should be approximately equal. To be comparable the conditions of the lease should be approximately equal. In Arizona neither condition exists. In

¹"Ranch Costs," by Al Lane, extension livestock specialist, University of Arizona, Tucson, Ariz., in "Arizona Cattlelog," January 1969.

²"Budgets for Livestock Ranches in Arizona and Other Western States," by Wm. E. Martin, professor of agricultural economics, University of Arizona.

³"Ranch Budgets for Tax Study," Department of Agriculture Economics, University of Arizona, August 1965.

round figures we have 13 million acres of Bureau of Land Management land and 11 million acres of Forest land, as well as 9 million acres of State land, compared to an estimated 5 million acres of private land—a ratio of more than 6 to 1. Much of the private land is irretrievably tied to public leases through commensurability requirements, further reducing the amount available for private leasing. Private land is generally of superior grazing quality, else it wouldn't have been homesteaded or otherwise acquired into private ownership. Conditions for a true supply and demand situation do not exist, unless monopolistically created.

In addition to the lack of a truly competitive situation we must also weigh into any fair market value appraisal the terms and conditions under which the forage is harvested. Just as a reminder I would like to point out some of the conditions of a public land grazing lease as compared with a normal private lease. First, of course, is the matter of multiple-use. In all the talk we have heard about "comparable lands," "realistic fees," "vested interests", etc., we seldom hear the one point that is a major key to the whole situation. That is "multiple-use". These lands are shared with a multitude of other users, both commercial and non-commercial. They are open to the public regardless of how much interference and damage is caused. They are open to everyone for every legal purpose and often used for illegal ones. Grazing is an important one of the multiple uses, but only one of many. If you had an apartment house occupied by fifteen or twenty tenants would you ask one or two of them to pay the same price as they would if they had exclusive use of the building?

Another substantial difference between public and private leases is the commensurability requirement. A rancher must meet certain qualifications of ownership of base property. Even in Arizona where much of the land is on a year-long grazing rotation plan we still must meet commensurate property standards. Such conditions would seldom apply to a private lease.

The demands for rancher-financed improvements on public land have accelerated with the advent of management plans. Last week I talked with a rancher who has a Forest permit. He was given a plan which called for several improvements on his small allotment, to be financed 100 percent with his own funds because federal matching funds were not available. If he makes the improvements they immediately become the property of the federal government. If he does not conform he faces a very severe cut in preference numbers at best, or loss of his permit at worst.

Improvements today must be constructed in such a way as to enhance "public values." But as a matter of fact normal range management practices over the years have greatly enhanced the actual public values of public land; especially wild life values. Over a period of years stock numbers on public land have decreased. In Arizona, at least, the game population has been generally up—dramatically at times. The game trend is not completely unrelated to livestock management. Improvements for livestock have also benefitted game. Stock tanks, salt boxes, and feed bunkers installed by ranchers have also been used by game. Juniper control areas are favored by deer and hunters alike. Game not only uses public land and the rancher-financed improvements thereon, but also freely utilizes any and all of the forage and feed on private land in the area.

Arizona has very little live water. Rancher-developed springs, tanks, pipelines and water catchments have made usable vast areas of the state. Such watering places have been lifesavers for both men and animals in the arid country. Without the management and conservation practiced by ranchers, much of Arizona could very well become a biological desert, of little economic use, and of even less practical use for the public. Yes, public values should certainly receive more than passing credit when determining the level of grazing fees.

Testimony of other witnesses will cover the validity of including the cost of holding a permit as a legitimate and inseparable cost of doing business. I won't dwell at length on this point, but do wish to completely endorse the position taken by other livestock groups. Any analysis of the cost of operating any business must include the cost of money or the analysis will be incomplete and inaccurate. A cost item identical to the one disregarded by the government is built into the lease paid for private land—and private leases carry much weight in the governmental interpretation of what comprises cost, or fair market value.

The principle reason given for not including the annual interest on the permit value in the fee formula is that "to do so would recognize a proprietary interest

in the public land."⁴ On this point I would like to raise a question and make an analogy. My question is, if the interest factor were used, what proprietary interest, or "right" would be created that doesn't already exist? A United States Department of Agriculture paper⁵ states "The studies have confirmed that grazing permits have accrued a value that the private sector buys and sells and uses for collateral." So the fact of value is recognized; at issue is what should be the amount of value and who should hold it. Inclusion or deletion of one factor in a formula won't increase or decrease "rights," it just changes monetary value. Use of the interest factor wouldn't change any terms or conditions of a lease; it wouldn't allow a rancher to run more or less cattle; it wouldn't give him any more or fewer "rights" than he now has; it wouldn't give any more nor less access and use of the land to the hunter, fisherman, rockhound or general public. Let me ask the question again, this time in a little different way: By not using the interest factor, what proprietary interest or "right" does the rancher now have that will be taken away?

Now to the analogy I mentioned. In my home city of Phoenix are a large number of radio and T.V. stations. All are able to operate because they have a license or permit from the federal government. They have to abide by certain rules and regulations or the permit will be revoked. Under these rules they have put the permit to use and built operations of considerable value. The value will vary depending upon many things, capital inputs, goodwill, etc., but in any case the value is considerably higher than the fee charged for the license. Bearing in mind that the permit had no value until it was put to use, let's assume that the Federal Communications Commission decided to set an annual fee so it would return a fair market value to the government. After all, they could reason, T.V. Station XYZ, for instance, wouldn't be worth a couple million dollars if they didn't hold a government permit. Therefore, according to this logic, an "equitable" annual fee would be set at a level sufficiently high to capture for the government the market value of XYZ T.V., on the grounds that that value was created by virtue of the fact that the government issued the permit to broadcast! Change a few words to fit the grazing fee situation and you no longer have an analogy, but the actual case in point.

The complete economic impact of the grazing fee increase is difficult to assess. We know it would be extremely severe on the range livestock industry and local communities in the public land states. In Arizona, the out-of-pocket costs to ranchers would be just under \$2 million annually. Using a conservative generator factor of 2 this would mean an additional loss of about \$4 million to the local economy. But this kind of figuring is deceptive, because we can't determine the timetable upon which ranchers will be forced out of business. Some will go out as soon as the fees consume their profit margin. For those with the "average profit" of \$1.92 per head that would happen the second year of the ten year plan. Others will stay longer, using savings or borrowing on appreciated land values as long as possible. But these courageous souls, too, will be forced out unless market prices improve far beyond any present optimistic forecast. We have heard much lately about people with large outside incomes investing in ranches to take advantage of tax write-offs. Such investors can soon have a hey-day if the grazing fee decision is not modified.

Many references have been made to the financial institutions and their concern in this matter. One lending agency not heard from, to my knowledge is the Farmer's Home Administration. The FHA has both farm ownership and operating loans which are certain to be affected. They also have furnished an unusually high percentage of the financing for many recently organized grazing associations. These associations are formed by a group of people who go together and purchase a comparatively large ranch, or combination of ranches. Usually there is a considerable amount of both federal and private land involved. Since the portion of the purchase price which is financed is very high, the annual payments are also very near the maximum ability of the ranch. And payment schedules were based on grazing fees as anticipated under the old formula. In addition to the very real likelihood that the association members will have to default and lose their investment, we also have to realize the federal government will, be foreclosing the mortgage, take over more of our already scarce private

⁴ Letter dated January 13, 1969, from Under Secretary of the Interior to Honorable Wayne N. Aspinall.

⁵ "Studies, Alternatives and Recommendations on the Forest Service Grazing Fee Issue," submitted by U.S. Dept. of Agriculture, November 12, 1968.

range land. It would be interesting to know how this federal agency, the FHA, views the fee increase. They have obviously been recognizing the permit value as loan collateral.

At the beginning I expressed the belief that an analysis of fair market value should be predicated on two questions, the first of which was: "What factors should be used to arrive at an ultimate fair market value". So far I have listed several factors I believe should be used in arriving at a fair market value for public forage rather than placing major reliance on going rates for private land. These include:

- Value of forage in the market.
- Low per unit livestock returns.
- Lack of a truly competitive conditions.
- Lack of true comparability between public and private land.
- Value of multiple-use.
- Rancher financed management and conservation practices.
- Cost of money as a legitimate cost of doing business.
- "Rights" not a part of permit value.
- Government interference in business.
- Economic impact.
- Loans put in jeopardy.

No doubt there are many more that could be listed. True, these are mostly "negative values", but any honest appraisal must include negative as well as positive values if we are looking for real market *value*, rather than trying to justify an arbitrarily set market *price*.

My second question was: "Is fair market value a yardstick that can be accurately applied to grazing fees"? The answer is probably "yes" if all values, both positive and negative, are given proper weight, and if the Congress of the United States amends the applicable laws to provide for such a yardstick. Perhaps the use of the fair market value yardstick is too cumbersome and too subject to a variety of interpretations to be dependable over a period of time.

Up to the present time two different systems have been used to set fees. Bureau of Land Management has used 150 percent of the price per pound of cattle. The Forest Service has used a system that recognizes the difference in quality of grazing between areas, and uses market price as an annual adjustment factor. Although the Bureau of Land Management formula is more simple and does recognize that the price of beef helps determine the value of forage, we feel the Forest Service method is more equitable. It stands to reason that there is an operating cost difference between running one cow on ten acres compared to ten cows on one acre.

This difference should be reflected in any fee schedule for public land grazing.

The Arizona Cattle Growers' Association is not opposed to a reasonable increase in fees; in fact, an increase was anticipated even under the old system. We do object not only to the amount of the new fees, but to the way it was imposed. We urged our people to cooperate in the survey and the statisticians received excellent response. Yet when we tried to obtain some of the raw data it wasn't available. We honestly expected all cost items to be used, but as you know, they were not. For a change of such magnitude the least that could have been done was to hold public hearings in the areas affected. Notwithstanding all those adverse items we have tried to evaluate the plus and minus of the increase. Admitting that we aren't the best qualified party to make a completely objective evaluation, the minus still seems to far outweigh the plus. Here is our evaluation:

PLUS SIDE

1. \$18 million dollar annual increase to federal treasury (assuming no rancher goes out of business), less deduction in Number 2, below.
2. \$4.5 million to local state and county governments (25 percent fund), less administrative costs.
3. Satisfaction for those interests that want to see public land grazing terminated.

NEGATIVE SIDE

1. \$18 million decrease in ranchers' net income, if full AUM use could be maintained.
2. \$36 million negative impact on local communities.
3. Loss of up to \$700 million in collateral base.

4. Outstanding debts on assets that no longer exist.
5. Difficulty in obtaining future mortgages.
6. Decline in rancher financed or cooperative improvements.
7. Need of federal government to bear the burden of Number 6 in some combination of:
 - a. Increased appropriations for resource maintenance.
 - b. Decreases in value of federal land due to deteriorating rangelands and watersheds.
 - c. Decline in level of fees collected due to loss of capacity and use.
8. Need to increase expenditures on wildlife requirements.
9. Need for more urban employment for accelerated flow of agricultural owners and workers, perhaps a "second front" in the War on Poverty.
10. Up to \$375 million loss in ranch assets.

I'm sure other persons could add several more items to each list. However, the negative so badly outweighs the plus that the need for review and change should be obvious. We respectfully urge this Committee to take the steps necessary to bring about such a change.

Mr. Chairman and Members of the Committee we commend you for calling this hearing on this most important matter. We appreciate the opportunity to have our views heard. Thank you.

THE TRAVELERS INSURANCE Co.,
El Centro, Calif., December 28, 1968.

Mr. VERNON STATLER,
Kingman, Ariz.

DEAR VERN: As per our telephone conversation, I regret to say that I will be unable to recommend the Kessler Springs Ranch for a Travelers Loan.

I am satisfied with the physical assets of the ranch and feel that this would even be improved under your management if conditions were to remain unchanged. However, in view of the recent BLM proposal to increase grazing fees, it appears the capitalized or equity value to the owner and lender will become minor. Therefore the company will not be able to favorably consider ranches with a large percentage of BLM acreage until the grazing fees are finalized.

I certainly enjoyed meeting you and going over the ranch property. If the BLM fees are eventually set at a lower rate than the present proposed, I will be happy to discuss the loan possibilities at that time. Your financial statement is enclosed and the ranch map is being returned under separate mail.

Sincerely,

ROGER BIGALK.

Mr. ASPINALL. Mr. Chairman, it is too bad we do not have time to ask questions on the statements that are as good as these but we just do not have time.

Mr. BARING. We have several Members of Congress that have just come in. They will be given the regular 3 minutes as the Members were yesterday. We have Congressman Dingell of Michigan.

STATEMENT OF HON. JOHN D. DINGELL, A REPRESENTATIVE IN CONGRESS FROM THE 16TH CONGRESSIONAL DISTRICT IN MICHIGAN

Mr. DINGELL. Mr. Chairman, I understand the problems that this committee faces with regard to time. So I will not give my whole statement. With the permission of the Chair, I will simply briefly summarize my views and ask that the full statement be inserted in the record.

For the record, Mr. Chairman, my name is John D. Dingell. I am a member of Congress from the 16th Congressional District of Michigan. I am pleased to see the committee going into the question of the

use of public land and fees charged for grazing livestock. I am satisfied when this committee has considered the question before it and when it has weighed all of the comments and testimony that it is receiving, in keeping with its tradition of fairness and dedication to the public interest, that it will fully support the determination of the departments to come forward with grazing fees which assure that the public will be fairly compensated for the use of the public domain by graziers.

I am sure the committee recognizes that as far back as the days of Gifford Pinchot it was to be the policy of this Government that permittees on the public domain should pay a fair fee. And I think a fair fee is not less than someone would pay for the same kind of use of private land and the same kind of grazing and the same content of grazing. The Congress has long instructed the departments that this was to be their policy. The history of this matter makes clear that the origination and the proceedings which have led us to the point we are today began in the direction by the Congress in an appropriation bill as early as 1951.

I do not believe that the ranchers and graziers and stockmen should be overcharged, but in like manner I am sure, Mr. Chairman, you recognize that there are many hundreds of millions of people in this country who are the owners of the public domain and who have a broad interest in the good management of it and in fair return to them and to their Nation for use of public land. And I would certainly be assured, Mr. Chairman, that you and this committee would not look with kindness on anything which afford the people of this Nation less than fair treatment with regard to grazing fees matters.

I thank this committee for the privilege of asserting strong support on behalf of myself and my constituents of the action of the administrative agencies in raising grazing fees to what I regard as a modestly fair return to the taxpayers of this Nation and to the people of this Nation for the use of public domain by a group of persons who, in fact, are nothing more than licensees and permittees and who have no interest whatsoever in the real estate beyond that which can be asserted by any other citizen of this Nation.

Mr. BARING. Thank you very much, Mr. Dingell.

(The statement follows:)

STATEMENT OF HON. JOHN D. DINGELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

One of America's great national assets is its public lands. Today, some 765 million acres, or about one-third of the gross area of the nation belongs to the public as a whole. These are public properties and they play an important role in sustaining our national strength. They yield water, wood, forage, recreation, fish and wildlife, and aesthetic values so needed to these challenging times of stress.

Now and for the future we need to assure that these public lands are administered in such ways that they will continue to contribute to the increasing needs of a burgeoning population. We must see that these lands and the resources they provide are properly used. We must see that they are developed to meet the public's needs. But, equally important, we must see that the public, through its Government, derives proper returns for benefits from the public lands.

It is my understanding that farmers and ranchers graze livestock under permit on about 106 million acres of public lands in the National Forests and National Grasslands and on about 177 million acres of public lands administered

by the Bureau of Land Management in the West, and that some other public federal lands also are grazed by livestock. Thus, about 40 percent of these valuable public assets, these lands in which the nation has a great stake are used by farmers and ranchers for livestock production.

It is essential that the important livestock production function of these public lands continues to be recognized and that the public land-administering agencies develop these resources to provide livestock grazing to sustain ranches and farms that depend upon them for forage. It is especially essential that the general public receive a fair market value for the privilege of grazing livestock upon the public lands.

I am in favor of the January 10, 1969 regulations that prescribe raising grazing fees to full market value on the National Forests and other public lands administered in the West by the Forest Service or the Bureau of Land Management. I prescribe to this action as desirable to the total national good. To do otherwise than increase grazing fees to fair market value would not be in equity to the public as a whole.

At issue to the Committee in this matter is whether or not the capitalized permit value should have been an allowable rancher cost in the formula used to determine fair market value.

I cannot subscribe to allowing the cost of a grazing permit to be added to other rancher costs in the determination of what the ranchers should pay for a grazing fee. A permit to graze livestock upon the public lands has been, and should remain, a privilege. To recognize the capitalized permit value as a cost would tend to vest a "right" of use in the hands of the permit holder.

It is my understanding that under-pricing of public grazing has resulted in an added value being placed upon land and livestock owned by the permit holders. It is what has been called "permit value." Some permit holders use this added value as part of their collateral. This added value is a public asset that should be recovered by the Federal Government.

Raising grazing fees to fair market value over the 10-year period prescribed in the fees regulations that appeared in the Federal Register of January 14, 1969, appears to be a proper and equitable administrative action. The public will share more equitably in the benefits from its important public land resource base.

Mr. BARING. Senator Hansen, I believe, just came in the room.

Senator Hansen, we have to limit your time to 3 minutes this morning.

STATEMENT OF HON. CLIFFORD P. HANSEN, A U.S. SENATOR FROM THE STATE OF WYOMING

Senator HANSEN. Thank you very much, Mr. Chairman, distinguished members of the committee. Let me say how pleased I am to be able to be here. I know how great are going to be the demands upon your time, and I don't presume to intrude unnecessarily upon them.

I would like to submit for the record as though read my statement, and I would like also to include a letter from Mr. Walter C. Yose, Jr., of my State, which I think spells out rather clearly some points that are deserving of consideration by the committee.

I am pleased that I was able to participate in the hearings on our side for 2 full days. I have some definite convictions about the thrust of those hearings, and I feel confident that this committee, if and when—and I know it will—it examines this record, certainly will be well aware of the equity that is being raised by the representatives who will appear before you.

With that, Mr. Chairman, let me say how much I appreciate the opportunity to appear here today, and I am confident that your wisdom will prevail to the great good of the country.

Thank you, Mr. Chairman.

(The statement and letter follow.)

STATEMENT OF HON. CLIFFORD P. HANSEN, U.S. SENATOR FROM
THE STATE OF WYOMING

Mr. HANSEN. Mr. Chairman, distinguished members of the Committee, I appreciate, in light of your heavy schedule and the long list of witnesses, the opportunity to appear before this Subcommittee and state my views regarding the new schedule of grazing fees for public lands.

As a Senator, a member of the Senate Interior Committee, and a resident of Wyoming, I have a great interest in the action taken by the Department of the Interior and the Department of Agriculture.

I will not take up your time with many of the details involved in this issue. You will receive much well prepared testimony in the course of these hearings. However, I did participate throughout the two day hearings on the grazing fee increases held by the Senate Subcommittee on Public Lands. I would like to state briefly the conclusions I reached as a result of those hearings.

All of us recognize that today public lands are put to uses that were not even considered 50 years ago and that greater use is made of the public lands as our population increases and our society becomes more mobile.

The Stockman does not object to paying for the grazing use of public lands but he does feel that he did not receive a fair shake from government when the new increases were put into effect.

The central issue is whether or not a reasonable fee can be adopted without taking into consideration the cost of obtaining a permit to graze on public lands. I do not believe that the method of comparing grazing costs on public lands versus grazing costs on private lands can be used to set a reasonable fee without including the grazing permit value in the computation of grazing costs on public lands.

The Taylor Grazing Act authorizes the Secretary of the Interior to set a reasonable fee. The act further states that "... the creation of a grazing district or the issuance of a permit pursuant to the provisions of this Act shall not create any right, title, interest, or estate in the lands." The Department argues that a recognition of permit value in computing grazing fees would create a property right in conflict with the language of the Act. They also state that the transactions which have created the permit value have been among private individuals and that the government has not received payment for any of the value created.

It must be remembered that the Taylor Grazing Act stated one of its objectives as the stabilization of the livestock industry dependent upon the public range, and went on to require that a stockman, to be eligible to hold and own a permit, is required to own and control sufficient private land and water resources to provide for and sustain his livestock at such times as they are not allowed to graze on federally owned land. This became known as the commensurability requirement.

The need to own lands meeting the commensurability requirement resulted in the dollar value of the grazing permit being capitalized into the total ranch investment. This is a real cost to the stockmen. He paid more money for his land because it met the requirement and allowed him to graze his livestock on federal lands.

The administrative actions of the Federal Government encouraged the development of a permit value and the Director of the Bureau of Land Management, Boyd Rasmussen, stated last week, "(in 1936) the Secretary of the Interior proposed a ten cent fee. The Department viewed this as a minimum acceptable fee and not a full value fee." Therefore, the stockman received a benefit from grazing on public lands, and this benefit was valuable. To obtain a permit from a permit holder, it was necessary to compensate him for the benefit received. This system has been used for over 30 years.

The grazing fees set by the Department over the years as well as statements by its officials led stockmen to accept the permit value. After all, it was necessary for the livestock industry to continue to operate under the system created by the adoption of the Taylor Grazing Act. Before Senate hearings in 1963, Assistant Secretary of the Interior John A. Carver, Jr. stated: ". . . values of commensurate property of public range users have adjusted to the present schedule of fees. An increase in grazing fees would, in effect, multiply the price already paid . . . The situation of the users has to be taken into account, and particularly the capitalized value of the Taylor Act priorities and fee levels. Raising fees without adequate consideration of this could result in confiscatory action . . ."

In the light of this history, I cannot abide by the government's contention that the permit value developed as a result of private transactions and was not the doing of the government.

In addition, it is hard for me to see how recognition of permit value as a cost of doing business can possibly create any right, title, interest, or estate in or to the lands which would not have already been created by numerous other government actions. The Department of Defense has recognized the permit value in the Engle Act of 1942. The Internal Revenue Service has included the permit value in determining taxes on estates. The FHA loans money to stockmen on the basis of grazing permit value. I assume that none of these actions have created a right in or to the lands. Otherwise, the new grazing fees, designed to reduce the permit values to zero over the next decade, would be a violation of constitutional due process. I am convinced that a recognition of the permit value in the computation of the grazing fee would not create a right in or to the lands either.

In 1959, the Bureau of the Budget Circular No. A-25, is cited as the reason for determining fees on a fair market value basis. However, that same circular stated that the charges "are to be determined by the application of sound business management principles . . ." The grazing permit value developed as a result of sound business management principles encouraged by the actions of the Federal Government. It should be recognized as a valid cost under the terms of the Bureau circular. Circular No. A-25 was issued under the authorization of the Act of August 31, 1951. That Act called for a fee which would be "fair and equitable taking into consideration direct and indirect cost to the Government, value to the recipient, public policy or interest served, and other pertinent facts . . ." Certainly the value to the stockmen in this case cannot be taken into consideration without recognizing the grazing permit value.

In 1966, the joint study by the government and the livestock industry was undertaken for the purpose of comparing non-fee costs of grazing on public lands with grazing costs on leased private lands. The 1966 Western Livestock Grazing Survey included the interest of the grazing permit value as a non-fee cost. However, as the Survey results were received and a substantial fee increase was not indicated, the Departments informed the stockmen that the law would not allow the permit value to be considered in the computation of the new grazing fees. I am bothered by this action because the Departments were aware of the Taylor Grazing Act and the Bureau of the Budget position long before the Survey was undertaken. Yet at no time prior to the Survey, while they enlisted the full cooperation of the stockmen, did they give any indication to the stockmen that the permit value would not be considered as a cost, and instead willingly included the permit value as one of the 15 cost items in the Survey. I cannot condone these departmental actions.

If the 1966 Survey was weighted, it was weighted in favor of the government. There was no attempt to take into consideration the difference between public and private lands. Specifically, I refer to the direct control which the individual has over private lands. Other costs were also excluded from the Survey, and I ask permission to insert in the record a letter from Mr. Walter C. Yose, Jr. of the LaBarge Roundup Association relating to those excluded costs.

Let me close by saying that the Livestock industry, the stockmen, lending institutions, and numerous individuals have relied on the policies of the Federal Government over several decades in their transactions involving grazing permits. An increase in the grazing fee without recognition of this permit value can have a disastrous impact on the economies of public land States. This action will no doubt contribute to the migration of our rural people to the cities, and I need not mention the tremendous problems facing our cities today. It would be a grave mistake to implement a decision which is likely to aggravate those problems. The nation could not come out ahead.

Therefore, I have written the Secretary of the Interior and the Secretary of Agriculture urging further increases be withheld until the monumental study of the laws, rules, and regulations governing our public lands is completed by the Public Land Law Review Commission, and the Commission can make its report in 1970.

I thank the Subcommittee for the opportunity to express my views here this morning.

LA-BARGE, WYO.

Senator CLIFFORD HANSEN,
Senate Office Building,
Washington, D.C.

DEAR CLIFF: I don't know whether any of this work that I have done has done any good or not.

We have not seen any report with the points mentioned by us. The lands that are public domain, are not near as good as private pasture and the quality of feed is not as good as private pasture. If it were, these lands would have been taken up by our grandfathers.

It looks to me that for one million dollars we could have had a little more comprehensive report. Those of us that were questioned had to guess at many

expenses and have since noted that the expenses were higher than they realized that they were.

Why is it that so many people think that we are getting something for nothing? Why is it that so many people ignore that we are part of the public when they talk about public lands?

If this full raise goes through I hesitate to think what might happen to the small rancher. Studies by Dr. Delwin Stevens show that they are in real trouble already. We really do not feel that we have been subsidized on the public ranges as so many people contend that we have. I remember a march on Washington by the cattlemen opposing subsidies on beef a few years ago.

I sincerely hope that Congress will do something to rectify this great inequity that is being forced upon us.

Sincerely,

WALTER C. YOSE, Jr.

LaBARGE ROUNDUP ASSOCIATION,
LaBarge, Wyo., February 21, 1969.

To Whom It May Concern on Grazing Fee Increases:

The members of the LaBarge Roundup Association feel that the Western Livestock Grazing Survey did not take every point into consideration. We feel that not enough study was given to the fee situation. Those surveyed in our area were not asked to give any information on the following points:

1). Th permit price on the Bureau of Land Management is \$14.41 and on the U.S. Forest Service is listed as \$25.35. These two agencies do not recognize that these permits have value. However, the Bureau of Internal Revenue certainly recognizes that these permits have value and uses this value in computing the value of estates in assessing inheritance taxes. The statement was made to one of the permittees that what one arm of the federal government doesn't recognize, the other arm does. Permittees use their permits as collateral in borrowing money.

We do note that Senator Gale McGee entered an amendment to the Taylor Grazing Act that may change this situation.

2). The Western Livestock Survey was taken in the spring of 1966 in our area. The facts given in that survey were based on the records of the users for 1965. The LaBarge Roundup Association records show that our expenses have risen 46.5 percent since 1965. This cost increase is due in part, to the new range management allotment program that we have entered into with the Bureau of Land Management. This program is new and very little is known on how much more it will cost the user. Our 38.3 percent cost increase on the U.S. Forest lands is due to the inflationary trend.

3). It is noted that the survey did not take into consideration the pounds of beef produced on public lands versus that of private pastures. In checking our area the pastured are from 25 to 50 pounds heavier than those grazed on public lands. This is due primarily to the quality of feed produced on public lands. Tests conducted by the University of Wyoming show that in the first part of the grazing season the range grasses are very washy and contain very little nutrients. A cow cannot hold enough to feed her properly.

4). We can see in no place where the percentage of calf crop was taken into consideration and private pastures were compared with public lands in the Western Livestock Survey. In our area, 70 to 75 percent calf crops are the rule on public lands and has been below 60 percent on adverse years. On private pastures this percentage consistantly runs 90 to 95 percent. This is due to the rough nature of public land in most cases, and again nutriment enters into the picture. A cow doesn't breed back as well under the nutriments provided by public lands in the first part of the grazing season.

5). We can see no place in the Western Livestock Survey where the difference in the cost of breeding was taken into consideration. On public ranges most stockmen run 5 bulls to 100 head of breeding cows for a period of 4 years, or 1 bull for each 20 head of cows. On private pastures most operators use only 2 bulls to 100 head of breeding cows or 1 bull to each 50 head of cows. The average cost of bulls for commercial breeding purposes is \$600.00 and his salvage value at the end of 4 years is about \$200.00 on the market. The annual expenses per bull is as follows:

Feeding cost (hay, grain, pasture, etc.)	\$114.00
Depreciation per year	100.00
Interest on money invested in bulls	32.00
Death loss at 5 percent	30.00
Vet. cost	12.00
Total cost	288.00
Breeding cost per cow on public lands	14.40
Breeding cost per calf on public lands	20.57
Breeding cost per cow on private lands	5.76
Breeding cost per calf on private lands	6.40

The above figures are based on a 70% calf on public lands and a 90% calf crop on private lands.

It should also be noted that the mortality rate on bulls on public lands is twice that of private lands.

6). In past years, a great many reductions were made on public lands. These cuts increased demands for leasing private pastures thus forcing the price up on private pastures.

7). The Western Livestock Producer has to contend with wild game to great extent. In checking this we find that this amounts to 25 animal units on up on his private lands. Often this has been quite costly to the rancher. The Wyoming Fish and Game Department has fenced many stockyards of hay to help the rancher keep this cost down. To be fair, it is thought by some that some sort of credit could be given. We realize in part that this is a state problem.

In conclusion we would like to point out that the great majority of the livestock producers of the west are natural conservationists. We do not like to see the ranges pockmarked with indiscriminate oil locations and a hodgepodge of mining explorations with the resultant scars. We detest timbering that leaves piles of junk that are never cleaned up. We favor multiple use but with controls such as are placed upon us. Many reductions have been forced upon us by the inept range managers and forest rangers. We have lived with these ranges for the most part all of our lives and we understand what they do in wet years and dry years. We have regulated our herds and grazing to meet the weather conditions which affect the range conditions. There is no livestock man who wants to destroy or harm the range where he runs his cattle or sheep. Controlled grazing has been proven beneficial to watersheds.

We cannot understand why conservationist groups and others are so much against us. However, to be fully fair, a charge should be made to every rockhound that heads for the hills in search of precious and semiprecious stones or arrowheads as should the man with the snow machine or the motorcycle or the sandbuggy and on down the list that would include almost everyone who heads for the hills for his vacation or outing.

It just seems to us that more and more the government is really trying to kill off the small rancher and farmer with such things as higher interest rates and higher grazing fees while the price for his product he receives is quite low. I think that it is a tribute to the livestock man's ingenuity to stay in business. Most of us are in the business because we love it. It certainly isn't for the money. Believe it or not, it is quite a struggle to be in this business.

We hope that Congress will take the points that we have presented into consideration and will help curb what we feel is unreasonable fee increases. The method by which it was forced upon us was not even fair by the democratic processes of government.

Sincerely,

WALTER C. YOSE, Jr.,
Secretary-Treasurer,
Labarge Roundup Association.

Mr. BARING. Senator, we appreciate your statement and your appearance here. Thank you very much.

Mr. ASPINALL. Mr. Chairman, I want to thank the Senator for his willingness to cooperate with us on the time element.

Is this practically the same statement, Cliff, that you made in the other body?

Senator HANSEN. Well, it is essentially—I should not say it is the same either, Chairman Aspinall. It does draw some conclusions that were not present in the statement I made before the other body.

Mr. ASPINALL. Thank you very much.

Senator HANSEN. Thank you.

Mr. BARING. Our next set of witnesses is—and these people will come up at the same time—Leonard Horn, chairman of the Public Lands Committee, Reuben Pankey, chairman of the Forest Committee, accompanied by William Helming, Director of Economic Research, American National Cattlemen's Association; Harry Lee, president, accompanied by Karl Weikel, vice president, and Joseph Tudor, general counsel, Public Lands Council; Joseph Burke, chairman, Federal Lands Committee, accompanied by James L. Powell, president, and Edwin Marsh, executive secretary, National Wool Growers' Association.

Is it possible for all of you to get in there? If not we can call you for your testimony as the case may be.

STATEMENT OF LEONARD HORN, CHAIRMAN, PUBLIC LANDS COMMITTEE; REUBEN PANKEY, CHAIRMAN, FOREST COMMITTEE; ACCOMPANIED BY WILLIAM C. HELMING, DIRECTOR OF ECONOMIC RESEARCH; AND DR. DARWIN B. NIELSON, DEPARTMENT OF AGRICULTURAL ECONOMICS, UTAH STATE UNIVERSITY

Mr. HORN. Mr. Chairman, would you just like one of us, one group of us in at a time, then?

Mr. BARING. Very good.

Mr. HORN. OK.

Mr. BARING. The first group then would consist of Leonard Horn, Reuben Pankey, William Helming.

Mr. HORN. And we have Reuben Pankey here, the first gentleman, who is chairman of the Forest Advisory Committee for the American National Cattlemen's Association, Dr. Nielson, who is Professor of Economics of Utah University, and Bill Helming, Head of Economic Research for the American Cattlemen's Association.

Mr. BARING. What we are trying to do is to get the testimony in first and then question the group as a group.

Mr. HORN. OK. I would feel free to take probably 20 minutes of your time to make the statement and then have time for questions.

Mr. BARING. That will be all right. We are fixing the time so as to accommodate all three groups together.

Mr. HORN. We will try to move along as well as we can, but we have quite a lot of testimony that we would like to bring up if we have the time.

The American National Cattlemen's Association organized since 1898, is really the spokesman for the beef cattle producers and feeders throughout the Nation. We want you to know that we are speaking for a large group of people. The association is not objecting to raising grazing fees per se. However, we do thoroughly object to the whole structure and basis of the new grazing fee increases on Federal lands. The association and its membership also fully agree with the legal

objections to the grazing fee increases presented by the public lands counsel. That group will follow us, Mr. Chairman, and give some legal aspects that I am sure that you folks would like to know. We are in full accord. I do want to mention that. You did call them in but they will follow us.

Now, to the results and analysis of the 1966 grazing fee schedule. One, contrary to the statements by the Bureau of Land Management, the results of the 1966 Western Livestock Grazing Survey failed to establish that average grazing fees on BLM lands should be increased from the current 33 cents per animal unit month to \$1.23 per animal unit month, equivalent to approximately a 400-percent increase. In addition, this fee increase does not take into account the many tangible public benefits presently provided and paid for by the permittee at no cost to the general public. These public benefits are reviewed in the latter portion of this statement.

The results of the study established that, based upon a comparison of all nonfee average grazing costs for Bureau of Land Management lands, an average fee increase of 10 cents per animal unit month or nearly a 30-percent increase, appears to be justified (33 cents per animal unit month to 43 cents per animal unit month). The study did not reflect most of the costs to the permittee of providing public benefits and we also have an attachment on public benefits and a comparison of all 15 individual cost items which were included in the study.

Similarly, in contrast to the statements by the U.S. Forest Service, the results of the 1966 western livestock grazing survey failed to justify any increases in grazing fees. The study established that Forest Service permittees on the average were paying full economic value for an animal unit month of forage in 1966.

Cost data was obtained in 1966 from over 14,000 ranchers and lending institutions, comparing 15 nonfee grazing costs. The livestock operators fully cooperated with the study. The 15 cost items to be included in the study, including the dollar market value of the grazing permit, were agreed to in advance by all parties involved.

The study was conducted by the Statistical Reporting Service of the U.S. Department of Agriculture. However, the Bureau of Land Management and U.S. Forest Service arbitrarily omitted from their presentation of the study results the most important permittee cost item—the annual capitalized dollar value of the grazing permit. An equitable comparison of total public and private nonfee grazing costs is not possible without including the annual costs of owning and paying for a grazing permit.

Thus, an average grazing fee for Federal lands administered by the BLM that would exceed 43 cents per animal-unit-month would be a misrepresentation of the costs and economic facts determined by the 1966 western livestock grazing survey. An average grazing fee for lands administered by the Forest Service that exceeded the average 1968 grazing fee also would be an outright misrepresentation of the facts.

The grazing fees levied for 1969 and beyond as announced by the Federal Government do not recognize the annual capitalized value of the livestock grazing permit as a nonfee grazing cost, thereby distorting the facts, but allows the grazing fee on BLM and Forest Service lands to be adjusted annually by an amount equal to the increase or

decrease in private lease rates. This procedure would result in an increase and spiraling effect of grazing fees over a 10-year period of considerably more than the stipulated \$1.23 per animal-unit-month—perhaps double this amount in 10 years. For example, if the average annual cost of the grazing permit is not recognized, thereby forcing its value to zero, the demand for private lease lands would substantially increase, forcing private lease rates considerably higher than current levels.

An annual adjustment factor accounting for increases or decreases in both the private lease rate and the cost of the permit, used jointly with annual average livestock prices would be equitable and reasonable, and easily calculated by the Federal agencies involved.

Current regulations and laws require that in order for a livestock operator to be granted a grazing permit he must have sufficient private land and/or water resources to sustain his livestock while they are not running on Federal land—the commensurability requirement. This, and other requirements by law and regulation, has forced the dollar market value of the permit to be capitalized into the total ranch investment structure. As a result, the dollar market value of the grazing permit has been considered to be a nondepreciable, rancher-owned asset existing in perpetuity, like most ranches, even though the permit itself continually has been associated with a high degree of economic risk.

The dollar market value, and the existence of a livestock grazing permit as a tangible asset, also is considered by the agricultural lending institutions as a key element in determining whether short, intermediate or long term credit will be extended to ranching operations, when Federal lands are to be used for grazing livestock. The reasons for this is that the dollar market value of the grazing permit represents a major portion of the total ranch value, equity, and collateral position of the rancher.

The dollar market value of the permit as a specific position of the ranch real property and cost of running livestock on Federal lands has been recognized as such by the Department of Defense, namely, the Engle Act of 1942; the Internal Revenue Service; the Farmers Home Administration; ranchers being paid the market value of their permits by the Federal Government when reclamation and similar projects have changed land use; and many other agricultural lending institutions throughout the United States which lend money to cattle and sheep ranchers. The capitalized dollar market value of the grazing permit is an important annual cost of doing business.

There is a statement at the bottom. Darwin Nielson from the University of Logan, Utah, was the author of some of the work that was done there which brought this out. They made quite a thorough study of this and we will have some testimony which we will want entered in the record to show some of these studies.

A major portion of the current value of the livestock grazing permit has accumulated from the thousands of dollars invested in range improvements on public and private lands by range livestock operators. As a result of the Government change in grazing fee policy, range livestock permittees will be forced to substantially reduce, and in many cases totally eliminate, commitments of private capital to various vital range improvement programs. The reason is simply because of in-

creased operating expenses and the fact that any security or protection of investment in the range improvements has been lost.

The Government itself created the livestock grazing permit a number of years ago, and has for years encouraged stockmen to develop these rangelands and establish economic ranching units, create new economic activity by using these range resources for livestock production, and to stabilize the range livestock industry and the many rural communities dependent upon it.

The dollar market value of the grazing permit also is closely associated with such important economic factors as weaning weights; calving percentages and the general condition of the cattle and sheep running on Federal lands.

It was recognized and understood by all parties involved with the design and implementation of the 1966 Western Livestock Grazing Survey, that the foregoing important quality and economic factors could, and must be, reflected through the capitalized dollar value of the grazing permit as an annual cost of doing business. Otherwise, these and similar important cost and value factors would not have been reflected in the study.

The value of the livestock grazing permit is affected and very closely related to the multiple-use concept. The average value of \$14.41 per animal unit month in the case of the Bureau of Land Management lands brought out in the 1966 study would in most cases double or triple in value, if, for example, such a grazing permit gave the rancher involved the same privileges he enjoys on private lands; but such is not the case.

I am going to skip number nine to save a little time and go to B, the Economic Impact of New Grazing Fee Schedules for Federal Lands.

One. A net decapitalization, or loss in equity and real property of 30 to 50 percent, would result to these range cattle and sheep operations, including a total loss in the market value of the grazing permit presently capitalized into the total ranching operation. For example, such a reduction in real property values would result from the fact that the future market or potential buyers of these ranches could no longer justify paying what they have paid in the past for these ranches, simply because of the increased costs, reduced credit, increased economic risk, and so forth, that would result from nonrecognition of the grazing permit value. This situation is occurring now.

A substantial loss in ranch equity, net worth, and increased operating expenses, resulting from failure to recognize the dollar value of the permit as a cost of running livestock on Federal lands, would force many range livestock operators to liquidate. In turn, livestock-lending institutions involved would be forced to critically evaluate whether they could any longer justify extending further and/or additional credit to livestock operations dependent upon the use of Federal grazing lands. The ability of these ranches to repay their loans and maintain an economic unit has been reduced substantially.

Forcing range livestock operators to liquidate by ignoring the dollar market value of the permit would also result in severe and adverse economic effects on many rural communities throughout the Western United States, who either are totally or largely dependent upon the economic stability and perpetuation of the livestock industry. This

grazing fee proposal would result in the loss of millions of dollars to local businesses and governments dependent upon a healthy and economically stable livestock industry. We will skip this importance of public benefits here, but there are many public benefits that do—and you folks do have a copy, and I think to save time we will drop the reading of that, but there are many public benefits that are very worthwhile, such as water development on the ranges and a number of these things, wildlife has doubled in numbers on many Western ranges, and we have this tabulated, that there is a doubling of wildlife numbers, wild game birds, also roads for the hunters, fishermen, and recreation people to use. There are a number of benefits that have never been used.

To summarize, the range livestock industry cooperated fully in the 1966 Western Livestock Grazing Survey by providing information needed to determine nonfee grazing costs from which the full economic value for an animal unit month of forage could equitably be determined from the standpoint of the Government and range livestock industry. Before the study, all parties involved agreed on the 15 separate cost items to be included in the study. They also agreed that the summation of these 15 cost items would serve as a reasonable and representative basis for establishing the full value for an animal unit month of forage.

In addition, an allowance for the cost of public benefits provided by the rancher, and an equitable year-to-year adjustment factor to include the cost of the private lease and grazing permit and average yearly livestock prices must be taken into account.

The industry is asking for no more than a complete and factual presentation and inclusion of all economic facts, including the annual capitalized dollar market value of the livestock grazing permit, public benefits and other factors which must be included and adhered to in any new or modified grazing fee formula or structure for 1969 and the future.

The industry is willing, as previously stated, to accept an increase in grazing fees provided all costs and economic factors are included in their determination.

For these reasons, the industry considers the grazing fees schedules for BLM and Forest Service lands presented in the January 14, 1969 Federal Register totally unacceptable and unjustified, and a serious threat to the equity position, economic existence and continuation of those ranches dependent upon the use of Federal lands for grazing livestock.

Mr. Chairman, we hope through prompt congressional and administrative action that the current grazing fee schedules and policy will be changed in accordance with the discussion and reasons outlined above. Certainly, the Public Land Law Review Commission recommendations are necessary in this context.

We really do appreciate you folks taking the time to listen to us. You do not know how much we have appreciated having the opportunity to come before you folks. We wanted to explain this. We are glad to answer all the questions we can. And I would like to ask both Bill Helming and Dr. Nielson to cover this for just a second from an economic viewpoint and we won't take much time.

Mr. HELMING. Thank you, Leonard.

I would like to take this opportunity to cover several, or highlight several points that were brought out yesterday that we feel compelled to comment on.

It was brought out that the impact that was apparent from the standpoint of raising fees would only amount to a 1-cent increase in the price of livestock over the 10-year period. This may or may not be true. We have not calculated that. We suspect that it is a great deal higher. But the point we wanted to make was that from the standpoint of loss in equity and from the standpoint of loss of investment and structure, this is what is of great concern to the livestock industry, and that is what the real impact would be. It is not so much the fee increase. We, of course, object very much to the basis on which it is increased, but also the confiscation of real property.

The permit itself as you know was created by the Government in the first place, and in order to have this permit the range livestock operator had to have commensurate property, private land, water, and to maintain and to build up these ranges. It has been the policy of the Government for years to encourage the development and management of these private ranges. And the only way this could really be done is through the ranch manager, through the commitment of a lot of capital and management and time.

It is going to be brought out here, but I just want to make mention of it, that we claim no right or ownership to the land, never have, and we do not today.

The proposal that we are presently faced with, to save time here to get to one of the real main points, is in effect double taxation. The range livestock operator is paying for this permit, or he has already paid for it, and even if he is an original permittee, he still has a very real taxable dollar or an asset that has dollar value. And so he has already paid for it. He has been paying for it. It is used in his collateral in his credit position and so on as previously mentioned, and now he is being asked to repay it all over again.

Another thing that we feel is also deserving of further comment is the permit itself to a very high degree measures these variable factors, weaning weights, calving percentages.

Let's take for example the Forest Service. One might ask the question legitimately, why was the permit on Forest Service lands as reflected by the study \$25 plus an animal unit month and \$14.50 per animal unit month for BLM lands?

Well, we all know that the quality of the forage is one factor, the weaning weights, the death loss and rate of gain, and so on, all are important economic factors in determining the value of this forage. And the only way that this value, important economic value and variable can be reflected in any reasonable comparison of public and private cost is by the inclusion of the livestock grazing permit.

Another very important aspect is that I want to make it absolutely clear that the range livestock industry entered the study——

Mr. BARING. The time is up, gentlemen. We have to divide the time with the three groups.

Mr. HELMING. I wanted to enter one thing in the record if I could.

Mr. BARING. All right. If you will read that one statement.

Mr. HELMING. The last point was that the——

Mr. ASPINALL. Mr. Chairman, he can enter it into the record. He does not have to explain the point.

Mr. HELMING. OK. I will enter into the record copies of the questionnaires that were used in the study which reflect the attainability of the permit cost.

Mr. HORN. And we would also like to enter this full statement into the record, of course.

Mr. BARING. That permission has already been given earlier in the hearing.

Mr. PANKEY. Mr. Chairman, I'd like to enter a statement from the New Mexico Cattle Growers' Association into the record.

Mr. BARING. That has already been approved.

(The statements follow:)

STATEMENT OF THE AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION PRESENTED BY
LEONARD HORN, CHAIRMAN, ANCA PUBLIC LANDS COMMITTEE, WOLCOTT,
COLORO.

My name is Leonard Horn of Wolcott, Colorado, and I appear here today as Chairman of the ANCA Public Lands Committee. I am a member of the American National Cattlemen's Association, and owner of the V-Eleven ranch. I have had a Bureau of Land Management and a U.S. Forest Service grazing permit for many years.

Accompanying me is Mr. Reuben Pankey, Chairman of the ANCA Forest Committee, and a rancher from Truth or Consequences, New Mexico. Also with me is Mr. William C. Helming, Director of Economic Research for the ANCA, Denver, Colorado; and Dr. Darwin B. Nielsen, Professor of Economics at Utah State University, Logan, Utah. Mr. Pankey, Mr. Helming and Dr. Nielsen are very familiar with the structure and results of the 1966 Western Livestock Grazing Survey. We appear on behalf of many thousands of cattlemen to express our deep concern with the new grazing fee regulations published in the January 14, 1969 Federal Register.

The American National Cattlemen's Association, created in 1898, is the spokesman for beef cattle producers and feeders from throughout the nation. The Association does not object to increased grazing fees, per se. However, we do thoroughly object to the whole structure and basis of the new grazing fee increases on federal lands. The Association and its membership also fully agrees with the legal objections to the grazing fee increases presented by the Public Lands Council, 1700 Pennsylvania Avenue, Washington, D.C., before this same hearing.

The following objections are presented in summary form by the American National Cattlemen's Association to the Bureau of Land Management and Forest Service regulations on grazing fees:

A. RESULTS AND ANALYSIS OF THE 1966 GRAZING FEE STUDY

1. Contrary to statements by the Bureau of Land Management, the results of the 1966 Western Livestock Grazing Survey failed to establish that average grazing fees on BLM lands should be increased from the current 33 cents per animal unit month to \$1.23 per animal unit month, equivalent to approximately a 400 percent increase. In addition, this fee increase does not take into account the many tangible public benefits presently provided and paid for by the permittee at no cost to the general public. These public benefits are reviewed in the latter portion of this statement.

The results of the study established that, based upon a comparison of all non-fee average grazing costs for Bureau of Land Management lands, an average fee increase of 10 cents per AUM, or nearly a 30 percent increase, appears to be justified (33 cents per AUM to 43 cents per AUM). The study did not reflect most of the costs to the permittee of providing public benefits. (Attached is a table showing the results of the study for grazing lands administered by the BLM, and a comparison of all fifteen individual cost items which were included in the study.)

Similarly, in contrast to statements by the U.S. Forest Service, the results of

the 1966 Western Livestock Grazing Survey failed to justify any increases in grazing fees. The study established that Forest Service permittees on the average were paying full economic value for an AUM of forage in 1966.

2. Cost data was obtained in 1966 from over 14,000 ranchers and lending institution, comparing fifteen non-free grazing costs. The livestock operators fully cooperated with the study. The fifteen cost items to be included in the study, including the dollar market value of the grazing permit, were agreed to in advance by all parties involved.

The study was conducted by the Statistical Reporting Service of the USDA. However, the Bureau of Land Management and U.S. Forest Service arbitrarily omitted from their presentation of the study results the most important permittee cost item—the annual capitalized dollar value of the grazing permit. An equitable comparison of total public and private non-fee grazing costs is not possible without including the annual cost of owning and paying for a grazing permit.

Thus, an average grazing fee for federal lands administered by the BLM that would exceed 43 cents per AUM would be a misrepresentation of the costs and economic facts determined by the 1966 Western Livestock Grazing Survey. An average grazing fee for lands administered by the Forest Service that exceeded the average 1968 grazing fee also would be an outright misrepresentation of the facts.

The grazing fees levied for 1969 and beyond as announced by the federal government do not recognize the annual capitalized market value of the livestock grazing permit as a non-fee grazing cost, thereby distorting the facts, but allows the grazing fee on BLM and Forest Service lands to be adjusted annually by an amount equal to the increase or decrease in private lease rates. This procedure would result in an increase and spiraling effect of grazing fees over a ten-year period of considerably more than the stipulated \$1.23 per AUM—perhaps double this amount in ten years. For example, if the average annual cost of the grazing permit is not recognized, thereby forcing its value to zero, the demand for private lease lands would substantially increase, forcing private lease rates considerably higher than current levels.

An annual adjustment factor accounting for increases or decreases in *both* the private lease rate and the cost of the permit, used jointly with annual average livestock prices would be equitable and reasonable, and easily calculated by the federal agencies involved.

3. Current regulations and laws require that in order for a livestock operator to be granted a grazing permit he must have sufficient private land and/or water resources to sustain his livestock while they are not running on federal land—the commensurability requirement. This, and other requirements by law and regulation, has forced the dollar market value of the permit to be capitalized into the total ranch investment structure. As a result, the dollar market value of the grazing permit has been considered to be a non-depreciable, rancher-owned asset existing in perpetuity, like most ranches, even though the permit itself continually has been associated with a high degree of economic risk.

4. The dollar market value, and the existence of a livestock grazing permit as a tangible asset, also is considered by the agricultural lending institutions as a key element in determining whether short, intermediate or long-term credit will be extended to ranching operations, when federal lands are to be used for grazing livestock. The reason for this is that the dollar market value of the grazing permit represents a major portion of the total ranch value, equity and collateral position of the rancher.

5. The dollar market value of the permit as a specific portion of the ranch real property and cost of running livestock on federal lands has been recognized as such by the Department of Defense, namely, the Engle Act of 1942; the Internal Revenue Service; the Farmers Home Administration; ranchers being paid the market value of their permits by the federal government when reclamation and similar projects have changed land use; and many other agricultural lending institutions throughout the United States which lend money to cattle and sheep ranchers. *The capitalized dollar market value of the grazing permit is an important annual cost of doing business.*¹

¹ *Position Statement on Current Grazing Fee Issues and Problems*, Darwin B. Nielsen and M. Keith Roberts; Department of Agricultural Economics, Utah State University, Logan, Utah; Nov. 19, 1968.

6. A major portion of the current value of the livestock grazing permit has accumulated from the thousands of dollars invested in range improvements on public and private lands by range livestock operators. As a result of this government change in grazing fee policy, range livestock permittees will be forced to substantially reduce, and in many cases totally eliminate, commitments of private capital to various vital range improvement programs. The reason is simply because of increased operating expenses and the fact that any security or protection of investment in the range improvements has been lost.

The government itself created the livestock grazing permit a number of years ago, and has for years *encouraged* stockmen to develop these range lands and establish economic ranching units, create new economic activity by using these range resources for livestock production, and to stabilize the range livestock industry and the many rural communities dependent upon it.

7. The dollar market value of the grazing permit also is closely associated with such important economic factors as weaning weights; calving percentages, and the general condition of the cattle and sheep running on federal lands.

It was recognized and understood by all parties involved with the design and implementation of the 1966 Western Livestock Grazing Survey, that the foregoing important quality and economic factors could, and must be, reflected through the capitalized dollar value of the grazing permit as an annual cost of doing business. Otherwise, these and similar important cost and value factors would not have been reflected in the study.

8. The value of the livestock grazing permit is affected and very closely related to the multiple use concept. The average value of \$14.41 per AUM in the case of the Bureau of Land Management lands brought out in the 1966 Study would in most cases double or triple in value if, for example, such a grazing permit gave the rancher involved the same privileges he enjoys on private lands; but such is not the case.

9. The regulations on grazing fees for federal lands administered by the Bureau of Land Management, presented in the FEDERAL REGISTER, January 14, 1969, further misrepresents the facts and results established by the 1966 Western Livestock Grazing Survey by calling for a flat grazing fee versus a variable fee. If the cost data is combined on a national basis, as it was by the BLM, then a flat fee perhaps can be statistically justified. However, if the cost data is broken down by state or district, there appears to be statistical evidence that a minimum of three or more separate fee levels is statistically justified. The high variation in the dollar value of the livestock grazing permit throughout the western states reflected by the study clearly shows that significant differences in range-carrying capacity and values do exist. Thus, a variable fee schedule would take into account these important economic differences, whereas a flat fee schedule will not.

B. THE ECONOMIC IMPACT OF THE NEW GRAZING FEE SCHEDULES FOR FEDERAL LANDS ADMINISTERED BY THE BLM AND FOREST SERVICE

1. A net decapitalization, or loss in equity and real property of 30 to 50 percent, would result to these range cattle and sheep operations, including a total loss in the market value of the grazing permit presently capitalized into the total ranching operation. For example, such a reduction in real property values would result from the fact that the future market or potential buyers of these ranches could no longer justify paying what they have paid in the past for these ranches, simply because of the increased costs, reduced credit, increased economic risk, and so forth, that would result from non-recognition of the grazing permit value. This situation is occurring now.

2. A substantial loss in ranch equity, net worth, and increased operating expenses, resulting from failure to recognize the dollar value of the permit as a cost of running livestock on federal lands, would force many range livestock operators to liquidate. In turn, livestock lending institutions involved would be forced to critically evaluate whether they could any longer justify extending further and/or additional credit to livestock operations dependent upon the use of federal grazing lands. The ability of these ranches to repay their loans and maintain an economic unit has been reduced substantially.

3. Forcing range livestock operators to liquidate by ignoring the dollar market value of the permit would also result in severe and adverse economic effects on many rural communities throughout the western United States, who either are totally or largely dependent upon the economic stability and perpetuation of the

livestock industry. This grazing fee proposal would result in the loss of millions of dollars to local businesses and governments dependent upon a healthy and economically stable livestock industry.

C. THE IMPORTANCE OF PUBLIC BENEFITS

The many public benefits currently supplied at no charge to the public by the rancher also must be taken into account before an equitable grazing fee base and structure can be formulated. Public benefits specified below, by and large, were not included in the 1966 Western Livestock Grazing Survey.

1. Range cattle and sheep operators using public lands, adjoining their private lands for grazing livestock, have allowed and provided public access across their private lands to federal lands for many years. Considerable time is spent by typical range livestock permittees giving directions to hunters, fishermen and others interested in crossing their private lands to gain access to the public lands. These same people often are provided water, car repair, use of a telephone, meals, etc., normally at no cost.

2. Another specific and significant example of public benefits relates to the large amount of money and many hours spent by representative livestock permittees in building and maintaining roads on public lands at their own expense, in developing and maintaining water facilities, developing and increasing the quantity and quality of forage, etc. These and other factors not only increase the production potential for food and fiber, but also result in public benefits in the form of increased and easier access to both public and private lands; the availability of water for human consumption and wildlife, improved forage for wildlife, as well as substantially improving upon the watershed and federal land resource management. For example, the owners of grazing permits, also owning private lands, furnish from their private lands, free of charge, a large percent of the yearly water and forage required to sustain wildlife in the western United States. These public benefits generally were not taken into account in the 1966 Western Livestock Grazing Survey.

SUMMARY

The range livestock industry cooperated fully in the 1966 Western Livestock Grazing Survey by providing information needed to determine non-fee grazing costs from which the full economic value for an AUM of forage could equitably be determined from the standpoint of the government and range livestock industry. Before the study, all parties involved agreed on the fifteen separate cost items to be included in the study. They also agreed that the summation of these fifteen cost items would serve as a reasonable and representative basis for establishing the full value for an AUM of forage.

In addition, an allowance for the cost of public benefits provided by the rancher, and an equitable year-to-year adjustment factor to include the cost of the private lease and grazing permit and average yearly livestock prices must be taken into account.

The industry is asking for no more than a complete and factual presentation and inclusion of *all economic facts*, including the annual capitalized dollar market value of the livestock grazing permit, public benefits and other factors which must be included and adhered to in any new or modified grazing fee formula or structure for 1969 and the future.

The industry is willing, as previously stated, to accept an increase in grazing fees provided all costs and economic factors are included in their determination.

For these reasons, the industry considers the grazing fee schedules for BLM and Forest Service lands presented in the January 14, 1969 FEDERAL REGISTER totally unacceptable and unjustified, and a serious threat to the equity position, economic existence and continuation of those ranches dependent upon the use of federal lands for grazing livestock.

Mr. Chairman, we hope, through prompt Congressional and Administrative action that the current grazing fee schedules and policy will be changed in accordance with the discussion and reasons outlined above. Certainly, the public Land Law Review Commission recommendations are necessary in this context.

We appreciate, on behalf of the range cattle industry, having this opportunity to express our thoughts on the problems and severity of the new regulations. We look forward, hopefully, to the positive and favorable action resulting from this hearing.

Thank you, Mr. Chairman and members of the Committee.

TABLE I.—U.S. FOREST SERVICE—AVERAGE COSTS PER ANIMAL UNIT MONTH FROM GRAZING FEE STUDY ¹

[Cattle]		
Item	Average non-fee cost per animal unit month of running livestock on forest service lands ²	Average cost per animal unit month of running livestock on private lands
1. Annual capitalized market value of the grazing permit ³	\$1.14	
2. Private lease rate		\$1.86
3. Lost animals	.61	.38
4. Association fees	.19	
5. Veterinarian	.13	.14
6. Moving livestock to and from allotment	.33	.24
7. Herding	.47	.16
8. Salting and feeding	.41	.85
9. Driving to and from allotment	.41	.27
10. Water	.04	.07
11. Horses	.23	.10
12. Fence maintenance	.27	.28
13. Water maintenance	.18	.10
14. Development depreciations	.13	.02
15. Other costs	.17	.12
Total cost per animal unit month	4.71	4.59

¹ Represents all national Forest Service lands in survey.² Represents the average nonfee costs of running livestock on Forest Service lands. The average grazing fee in 1966 was \$0.51 per animal unit month for cattle.³ Capitalized at 4.5 percent, and represents the annual capitalized dollar market value of the permit which was, based upon the study, an average of \$25.35 per animal unit month on a national basis (Regions I-VI). (The computation was as follows: $\$25.35 \times 4.5 = \1.52 (sic) per animal unit month.)TABLE II.—BUREAU OF LAND MANAGEMENT—AVERAGE COSTS PER ANIMAL UNIT MONTH FROM GRAZING FEE STUDY ¹

[Cattle and Sheep]		
Item	Average nonfee cost per animal unit month of running livestock on bureau land management lands ²	Average cost per animal unit month of running livestock on private lands
1. Capitalized grazing permit ³	\$0.87	
2. Private lease rate		\$1.82
3. Lost animals	.60	.40
4. Association fees	.04	
5. Veterinarian	.10	.14
6. Moving livestock to and from allotment	.21	.24
7. Herding	.49	.20
8. Salting and feeding	.69	.87
9. Driving to and from allotment	.31	.28
10. Water	.11	.07
11. Horses	.12	.09
12. Fence maintenance	.21	.27
13. Water maintenance	.20	.10
14. Development depreciations	.11	.02
15. Other costs	.14	.13
Total cost per animal unit month	4.20	4.63

¹ Represents all bureau land management grazing districts.² Represents the average nonfee costs of running livestock on bureau land management lands. The average grazing fee in 1966 was \$0.33 per animal unit month.³ Capitalized at 6 percent (cost of money) and represents the annual capitalized dollar market value of the permit which was, based upon the study, an average of \$14.41 per animal unit month on a national basis. (The computation was as follows: $\$14.41 \times 6\% = \0.87 per animal unit month.)

The New Mexico Cattle Growers' Association appreciates the opportunity to present our views on grazing fees to this committee. We hope our remarks may help explain our problems and methods of operation, especially from the standpoint of New Mexico and other areas which enjoy yearlong use and are qualified for use on the basis of water. This condition is peculiar to New Mexico and Arizona and is in contrast to the seasonal use concept in use in other states. Permittees involved in yearlong operations harvest about one-third of all the animal unit months permitted on the Public Domain. Grazing of this type is generally referred to in terms of "cattle yearlong" in contrast to the better understood land base, "seasonal use".

Public Land grazing operations came about in a different way in the water base areas. These are areas of mild climate with a long growing season, very little rainfall and generally little or no natural water. Wells are deep, the water poor and in small quantity. The permits were set out on the basis of how far a cow or sheep could travel from year-round water, and the man who had developed the water received the area to graze that could be serviced from the water available. Today, as the development process continues, it is not uncommon for a fully equipped well to cost \$10,000. These wells run up to 1,000 feet in depth and will pump five gallons of water per-minute that is unfit for human consumption. Modern knowledge of geology and techniques of well drilling have been of little help in either finding additional supplies or decreasing the costs involved in exploration and development.

Development of heavy tractors and earth moving equipment has permitted the economical building of dirt surface "tanks" to catch runoff from thunderstorms when they come. We've found this type of range improvement most helpful; however, the storms are not dependable and it takes many tanks to have any certainty of water. Most are and have been built by the permittees. Of course, we would feel most fortunate if wells strong enough to supply several tanks by use of pipelines could be found, and more fortunate yet if electricity is available to pump what is found.

The water base permittee very frequently owns a very small proportion of the land he uses. He owns the homestead of 160 or 320 acres around his water, and as a matter of fact, the water is the only factor that made the homestead possible. He came West and settled and had the use of the surrounding Public Land for his livestock. This was one of the reasons for the passage of Expanded or Livestock Raising Homestead Act. The grazing permit has value because he developed water, built facilities, and created a grazing operation where there was nothing useful before. Most of the allotments are individual rather than community and are fenced. Each permittee is responsible for his operation and the condition of the range. He receives benefit from any range improvement work he does and the full consequences of any mistake. He owns little land, but has a great investment in those improvements which make any grazing of the Public Land possible—and any use by wildlife, in many cases. Because wildlife benefits here, the public shares in benefits from these developments.

Drilling of these costly wells is ridiculous to graze the two to four cows that could run on his homestead, but it is not so unreasonable to service the sixteen sections that will run from 100 to 160 cows. He will have another \$10,000 in fence and as much as he can afford in tanks and other facilities. He also has a home. None of this is of any value at all unless someone can use it profitably—use it to support a family. The allotment is generally too far from town to allow the permittee to have supplementary income unless he can work for a neighbor who is large enough to hire help, but who is in exactly the same investment position.

With this background in mind, the industry fully cooperated with the 1966 Western Livestock Grazing Survey and we, in no way, wish to cast doubt on the general validity of the survey or upon the Utah model. In fact, we wish to point to the testimony of Dr. Darwin Neilsen during the case of Pankey Land and Cattle Company vs. Hickel and Hardin in United States District Court, Albuquerque, New Mexico, on February 18, 1969. He said, "Any interpretations placed on the study other than those based on the model render the study invalid." Dr. Neilsen is the economist at Utah State University who developed the model and conducted the study.

We do object to the validity of the method in which the fees were reached in the current rule making and to the projected fee. In view of Dr. Neilsen's testimony,

we also object to the contention the fee is based on the study. The Bureau of Land Management Grazing Fee Analysis in its discussion of impact, is most misleading in regard to yearlong areas. It purports to show that some 23% of the New Mexico permittees have smaller than 100 AUM permits, and that, on the average, they would not be affected by the new proposals until 1974. Under the 1968 fees of \$.33 per Animal Unit Month, 30 AUMs would be allowed at the \$10 minimum. Translated into cattle yearlong, this is 2 and $\frac{1}{2}$ cows, or to be practical, two cows. At the 1969 rate of \$.44/AUM, this is 22 AUMs or short of two cows yearlong. At the 1970 proposed rate of \$.53, it will allow one cow yearlong and another for six months or so. We submit that the only permittees not affected immediately will be those with "free use." The term "AUM" is misleading when applied to yearlong conditions and the impact of the fees falls upon a greater number much sooner.

The proposed fee schedule will have serious impacts upon conservation and the proper use of the range. If all economic factors remain in the same relationship, the increased fees will come directly out of the net income of the permittee, if any. His first consideration is a living for his family. The conditions of the last fifteen years have had all operators in an economic squeeze, and they have been forced to operate as economically as possible. Further cost increases will inevitably lead to more pressure on the resources and less conservation work. This will be both, because he cannot afford it and because he may reach the point that he no longer cares since he is not being considered by the Government. Another impact that is equally important comes about in the stocking of the range. The yearlong areas have been traditionally cow-calf operations. The normal time of change in livestock numbers comes in the fall at weaning time. Range conditions are estimated and cows sold or added at this time. This is for several reasons. At the same time, the public benefits accrues from the same improvements.

Yearlong operations depend very greatly upon the nerve and judgment of the operator. His livestock are on the range all the time. He must be able to guess how many he can run at any one time so that either the dry grass will last until some more grows, or he must not use up the growing grass so fast that he will not be able to winter his herd. His stocking rate has to be so adjusted and determined that he can run the greatest number of cattle, but at the same time not be in a position of overgrazing. If he misses on his estimate of capacity, he can, for a time, buy feed to get along until he can adjust if he is too high. If too low, any grass that should have been grazed that is left in the summer is wasted and simply blows away. The stocking rates on the water base areas have been established by trial and error, and it is a genuine art to be able to do so. There is a rule of thumb in New Mexico that a section of land will carry one cow for each inch of rain that falls during the growing season. The general result is that the stocking rate is almost totally dependent upon rainfall. We operate on the faith that it will rain sometime.

In the fall, the growing season is over and a reasonable determination of winter feed may be made. The cattle have been gathered to wean the calves and they are on hand and can be inspected. They are at their best weight and condition. Cow-calf operations have a number of risks, but one of the greatest is for summer rains to fail or to be very late. In this case the cows all have produced a calf, the winter feed is used up, and there is no new feed coming. Cows are at their weakest at this time and without green feed their milk production is falling off. Many a rancher in this position would like to cut down on his herd at this time but it is almost impossible to do so. Cows, if let alone and given some protein supplement will get along, but if they are gathered, crowded and put under the stress of being worked, they frequently are then too weak to stand up on the trucks in shipment. In addition, they are separated from their calves and frequently cannot identify them again. The result is a cow in the poorest condition possible at a time when there is little or no market for her, and a dogie calf which will die if he cannot find a mother.

Many permittees have made it a practice to carry a few less cows and substitute weaned calves to fill out the operation. These calves or yearlings are merchantable at any time and can be removed in an emergency. They are, however, less profitable than running cows. A practical rule is that 5 yearlings can be substituted for 3 cows. Under past fee structures, the added cost in fees of making the substitution was not a controlling factor. (All animals over 6 months old are charged the same fee.) Under the proposed structure, the fees will be most significant and unless changes are made, it will pretty well prevent this practice of

substituting yearlings and will be detrimental to the range. It is an artificial barrier to good management practice and flexibility.

We mentioned very briefly the factors which created the value of the grazing permits. This value is most important to the permittee, probably more so to the year-long operator than to the seasonal. To emphasize this, the year-long permittee owns very little land—generally only around his water, and the land he owns is scattered at random throughout the permit according to where the water has been found. The improvements on it are many times greater than could be justified by the carrying capacity of the private land. If, for any reason he should lose his permit or should the fees be so high as to make the use of the Public Land unprofitable or uneconomical, he can use nothing. He would have to fence his private land in order not to be in trespass, and the cost of the fence alone would be far in excess of the value of the grazing. As fees rise, making the permit uneconomical, he can sell to a more efficient operator, but at some point in the rise of the fees, the next operator has to go out of business, and so on. The result is declining competition for permits and a decline in their value, until at the end, there is none to buy and the permit has no value.

The main difference between the seasonal and yearlong position is that in the seasonal there is a land base which consists of a unit of private property capable of sustaining the permitted livestock for some portion of the year. It may well be farm land for the growth of winter feed. In such a case, there could be some residual value if the permit were unusable. It would, however, be only a fraction of the value of a going operation with the permit. The use of the permit is still governed by the same economic factors as in yearlong areas, and a fee increase which makes use of the permit uneconomical has the same result.

Most of the studies of permit value have shown this value is dependent upon the value of whole ranch operations and fee levels have little influence, up to a point. The value of ranch operations is dependent upon the expectation of a profit, (the ability to support a family). This expectation is dependent upon the difference between costs and returns. Current studies show that the average range livestock operation returns less than 2% on investment. Explanations of the fee study indicate that the ultimate proposed fee would constitute increase in the permittee's cost of operation of up to more than ten percent. Unless the general economic position of the permittees becomes better in the next ten years than it has been for the past fifteen, it is easy to see that there will be very few still in business by the time the fee reaches its maximum.

The stated purpose of the fee increase is to drive the permittee from the range if one is to understand the comments from both the Bureau of Land Management and Forest Service. The statement is that the permit value is of utmost importance—that it has come about as a result of fees being too low—it is a "windfall" to the permittees and the Government is entitled to "recapture" this value. (It completely escapes us as to the logic of how something that was never possessed in the first place can be recaptured.) This is to be done through setting a fee which is "equal to the full economic value of use".¹ Disposal "of the permit value per se is the most important aspect of the grazing fee issue".² The same principle was discussed in several documents of the Bureau of Land Management with the NABC.

The economic principle involved is based on the assumption that grazing can be carried on if the fee charged is the same as, or more than, the net value of the forage to an owner of land. If this were true, no owner would, under any condition, operate his own ranch because he could receive the same return by renting it at no risk or management cost. The facts are to the contrary. In the long run, the lessee must have sufficient margin to cover risk and have reasonable expectation of a profit or he will not operate as a lessee.

Permit value has little relationship to fees within a certain range. Under recent economic conditions, fees would have to decline to zero or even below (subsidy) before the permit value would increase. On the other hand, due to the low profit margin of the permittees, it is doubtful that permit value can survive more than half of the proposed increase. The principle here is that permit value is related more to the value of whole ranches. When the fees rise to the point of making the operation of least efficient permittees unprofitable, they

¹ U.S. Forest Service, *U.S. Forest Service Grazing Fee Program*, Presented to American National Cattleman's Association, Oklahoma City, Oklahoma, January, 1968.

² U.S. Forest Service, *Studies, Alternatives and Recommendations on the Forest Service Grazing Fee Issue*, November 12, 1968.

sell out to the more efficient. As fees continue to rise, there is less demand for ranches having grazing permits, and due to less competition, the permit value declines. At some point there is no permit value simply because none will buy. The whole process of destruction of permit value will be hastened as those who finance permittees see a decreasing ability to repay loans and they will loan less and less, or refuse entirely.

We feel certain that unless the proposed fee formula is changed to reflect a reasonable interest cost on permit value, the grazing on public lands is rapidly approaching an end.

In this context, we find ironic the testimony of George Turcott before the Federal Court in Utah recently to the effect that the new fee structure will do more to stabilize the industry than anything else in that the permittees can say that they are paying full market value for the forage.

We ask that you consider this matter and we thank you for the opportunity to present our position.

Mr. BARING. The next group of—

Mr. HORN. You didn't ask any questions of us now.

Mr. BARING. Questioning will occur after we get all the testimony in, so if you will just stay.

Mr. HORN. Okay.

Mr. BARING. Harry Lee, president, accompanied by Karl Weikel, vice president and Joseph Tudor, public counsel, of the Public Lands Council.

STATEMENT OF HARRY F. LEE, PRESIDENT, PUBLIC LANDS COUNCIL; ACCOMPANIED BY KARL WEIKEL, VICE PRESIDENT, AND JOSEPH TUDOR, GENERAL COUNSEL, PUBLIC LANDS COUNCIL

Mr. LEE. Good morning, sir.

Mr. Chairman, and members of the committee, my name is Harry Lee. I operate the Fernandex Co. ranch in San Mateo, N. Mex. I appear here today as president of the Public Lands Council, a nonprofit corporation organized within the past 2 years. The Public Lands Council is composed of leaders of the organized cattle and sheep industries in the Western States interested in the continued wise use and conservation of the Federal lands and forests and the natural resources thereon.

Sitting with me, back here, is Mr. Karl Weikel, vice president of the Public Lands Council and operator of the YKL cattle ranch at Searchlight, Nev. Also with me is Mr. Joseph H. Tudor, our legal adviser, who was for many years assistant solicitor in the Department of the Interior until his resignation almost a year ago.

We are here on behalf of the thousands of individual stockmen, beef and wool growers alike, represented in our council, to express our concern with an opposition to the new grazing fee regulations recently announced by the Department of Interior and the Department of Agriculture. Our objections are in two main areas, which, though they are interrelated, differ somewhat as to the BLM lands and the Forest Service lands. And therefore, Mr. Chairman, if I may, I would like to submit the full statement for the record; and, being basically a rancher, who, I think, is a true conservationist, I would like, then, for Mr. Tudor to make a brief statement on behalf of the council.

Mr. BARING. Without objection, so ordered.

(The statement follows:)

STATEMENT OF HARRY F. LEE, PRESIDENT, PUBLIC LANDS COUNCIL

Mr. Chairman and members of the committee, my name is Harry F. Lee. I operate the Fernandez Company ranch in San Mateo, New Mexico. I appear here today as President of the Public Lands Council, a non-profit corporation organized within the past two years. The Public Lands Council is composed of leaders of the organized cattle and sheep industries in the western states interested in the continued wise use and conservation of the federal lands and forests and the natural resources thereon.

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We are here on behalf of the thousands of individual stockmen, beef and wool-growers alike, represented in our Council, to express our concern with and opposition to the new grazing fee regulations recently announced by the Department of the Interior and the Department of Agriculture. Our objections are in two main areas which though they are interrelated differ somewhat as to the BLM lands and the Forest Service lands.

I. INTERIOR—PUBLIC BENEFITS—REASONABLE FEES

The new Interior regulations state that the grazing fee increase is required as the result of the Western Livestock Grazing Survey of 1966. In an earlier explanatory letter to Grazing District Advisory Board members, the Director, Bureau of Land Management stated:

"The study and the various recommendations based on it have been the subject of numerous high level discussions among the Departments of the Interior, Agriculture and Bureau of the Budget which has taken a keen interest in this matter because of its Circular A-25 which requires Government agencies to charge the fair market value for Federally-owned resources. The purpose of the study was to secure definite economic information upon which to determine fair market value."

Any analysis of the Department's "fair market value" adjustment in fees charged for grazing on lands in grazing districts must be made in the light of the requirements and limitations placed upon the Secretary of the Interior by Congress in the pertinent enabling legislation, as well as by the requirements of the Executive Branch acting through the Bureau of the Budget directives.

The specific guidance and criterion given by Congress to the Secretary of the Interior in establishing fees for use of federal range is found in Section 3 of the Taylor Act as amended in 1947. Section 3 prescribes that the Secretary shall issue permits upon the payment annually of "reasonable fees" which shall consist of a range-improvement fee and a fee for the use of the range; and that in fixing these fees the Secretary "shall take into account the extent to which grazing districts yield public benefits over and above those accruing to the users of the forage resources."

Section 3 does not specify or define the "public benefits" to which it refers. It would include at a minimum, benefits to the public through enhancement of watershed, wildlife and recreation uses arising as a result of grazing district administration. With the growing emphasis on multiple uses and increasing involvement of permittees in the costly allotment management plans required in the use of federal range lands for grazing, there can be no doubt that the "public benefits" have been increasing in quantity and quality, not diminishing in recent years. This points up, we believe, a major defect or omission in the Secretary's proposal to increase the fees based on the results of the 1966 survey. Neither in that study nor separately on his own motion does it appear that the "public benefits" have been taken into account as a part of the fee-fixing process prescribed by statute for the guidance of the Secretary.

The Secretary in the new regulation has indicated, in effect, that the "fair market value" criterion of Circular A-25 has superseded the "reasonable fee" and "public benefits" limitations of Section 3 of the Taylor Act. Circular A-25 itself recognizes the possibility that it would not apply in all situations. Thus Section 6 of Circular A-25 provides:

"6. *Changes in existing law.* In cases where collection of fees and charges for services or property in accordance with the Circular is limited or restricted by

provision of existing law, the agencies concerned will submit appropriate remedial legislative proposals to the Bureau of the Budget under the established . . . procedure . . ."

We believe that the exception in Section 6 does apply to the grazing fee standards and restrictions of the Taylor Act. In any event, there is enough of a departure from the statutory procedure to warrant our bringing this matter to the attention of your Committee.

II. THE 1966 GRAZING SURVEY—PERMIT VALUE

The 1966 Western Grazing Survey was undertaken, in part, to help determine the value of the federal forage resource to the user. This was to be accomplished by measuring the difference between total costs of operation on comparable private leased grazing land and the total non-fee costs of operating on the federal lands, National Forest and BLM range. As originally designed and understood by the livestock industry, the so-called "permit value" factor was included as one of the *fifteen* cost variable factors to be studied. Its inclusion in the study as a cost of doing business is in conformity with sound economic and legal principles and consistent also with the federal policy that the resource users be afforded equitable treatment.

It was only when tentative results of the survey led to the inevitable conclusion that, based on all of the fifteen factors studied, permittees running livestock on Forest Service lands presently were paying, on the average, more than full market value for an AUM of forest forage, that the agency exhibited a change of heart and of direction. Similarly, as to BLM lands, the studies showed that the non-fee cost of operation on public lands was 43 cents less than the total of similar costs on private lands; and that the permittees who were then paying 33 cents per AUM of federal range forage should be paying an additional 10 cents, for a total of 43 cents an AUM, to put them on a parity with private lease costs, thus reaching the "fair market" level as requested by the Bureau of the Budget.

The two Departments, without justification, in our view, eliminated the permit value factor from the 1966 Survey results and arbitrarily arrived at the conclusion that \$1.23 per AUM represented the difference in comparable costs of grazing on private lands versus public lands. The alleged reasons for exclusion of the "permit value" factor are not easy to follow. The Interior Secretary erroneously equated permit value with a purported rancher claim to a proprietary interest in the public lands. The Secretary of Agriculture, on the other hand, stated that governmental policy as established in Budget's Circular A-25 "precluded a monetary consideration in the fee structure for any permit value that may be capitalized into the permit holder's private ranching operation."

We find nothing in Circular A-25 that can be interpreted as applying, directly or indirectly, to the concept, "permit value." In fact that economic concept did not arise or come into use until after the issuance of Circular A-25 in 1959. The policy established by the Circular, however, directs that a fair market value be obtained for all services and resources provided the public "through the establishment of *reasonable fee charges*, and that the *users be afforded equitable treatment*." The Circular does not spell out how "fair market value" is to be determined nor designate the factors to be included or omitted.

Whatever the theoretical concept may be, the term "permit value" in our view may be thought of as applying to the special qualities or attributes of "priority" and "commensurability" inherent in the underlying base property (land or water) dependent upon continued use of federal range to constitute an economic ranching unit. These special qualities, under Forest Service regulations and under the Taylor Act, are required as a condition preceding and are given recognition in the form of preference or entitlement to available grazing privileges, superior to that of a competing rancher-applicant seeking the same federal forage but whose private base lands do not possess one or the other of these special attributes.

When it comes to leasing comparable private lands for the forage resource thereon, the prospective lessee generally is not required by the private landowner, as a precondition to obtaining a lease, to own or possess base land with either priority or commensurability. Therefore the private lessee seeking to establish an economic unit is *not required to invest additional funds* in lands containing these special attributes or values. In short, his costs of doing business utilizing private lands are, to that extent, less than the comparable cost would be if he sought to qualify for federal forage.

In this concept, then, the federal grazing permit or license, BLM and Forest Service, may be viewed as the document that acknowledges and gives recognition, (in the form of grazing privileges measured in AUMs), to the preference attributes of the associated base property. It is this preference to available federal grazing privileges that has a value in the market place to a rancher seeking the use of federal forage, over and above the value of the bare private land itself; it is bought and sold and has a measurable dollar value. It is a legitimate and long-recognized economic asset that is inheritable, transferable, taxable and frequently serves as additional security for a loan.

It is this incremental value, based on additional investment, which is capitalized into the value of the particular private ranch. Since an applicant for federal grazing privileges, generally cannot obtain them unless he has the required kind of dependent base property in support of his application, the necessary additional investment (permit value) is properly a cost of doing business on federal land, at least for the narrow comparative cost purposes of the 1966 study.

The recognition of permit value, in our concept, is far removed from constituting a claim to a proprietary interest in public land; it does represent an additional and required cost to the permittee seeking federal grazing privileges. The factor should be restored to its rightful place as one of the recognized cost items in the 1966 study, so that an equitable "fair market value" may be truly determined. We share the feeling of most western stockmen that the results of the 1966 Grazing Survey were deliberately perverted to achieve the results desired by the Bureau of the Budget, namely an eventual substantial increase in grazing resource revenues. For BLM, for example, the fees would climb to \$14.5 million from the \$3.8 million in 1968.

The western livestock industry, as you know, Mr. Chairman, is a marginal earner at best. It has been reported that, on the average, cattle ranchers realized 2.0 percent and sheep ranchers 2.6 percent return on their investment: some of the larger more efficient producers may earn between 4-5 percent, while at the other extreme the smaller, less efficient producers receive 1 percent or even negative return on their investments. The new regulations prescribe an automatic cumulative annual increment in fees over the next ten years. What will be the economic impact on the user, of these upward adjustments in fees? This has been expressed by the Forest Service in these words: "Where grazing permits have acquired value, the immediate effect of an upward adjustment in fees would be an increase in costs of production and a corresponding reduction in ranch income. The longer-run effect of increased fees would very likely be a reduction in the value of permits resulting in disinvestment and capital losses. This, in turn, would have an impact on ranch values, the credit position of grazing permittees, and on lending institutions holding mortgages on ranch property."

Such an officially-anticipated drastic impact on ranchers hardly squares with the intent of Congress "to stabilize the livestock industry dependent upon the public range," as enunciated in the Taylor Act; nor does it conform to the policy, repeated in the Forest Service regulation, that "the users be afforded equitable treatment." A number of lending institutions doing business with western ranchers have already reacted unfavorably to the announced long-term fee schedules. One such Farm Credit board warned that the increase in grazing fees "will add substantially to the annual operating costs of ranchers being served by Federal Land Bank Associations and Production Credit Associations, resulting in even narrower margins of operating income, or increasing operating losses now being suffered by many such ranchers. Such increased costs and the adverse effect on operating margins may also adversely affect the credit quality of loans held by farm credit banks and associations."

Your Committee knows, I am sure, that grazing fees are not the only cash outlays that ranchers expend on the federal lands. I have previously mentioned allotment management plans, the more intensive land management programs and the accelerating multiple use of the natural resources on or in these lands. Range management programs are planned and carried out by the agencies in cooperation with grazing permittees. Permittee investment takes many forms, including deferred livestock grazing use to facilitate an improvement project, also contributions in time, materials and labor in addition to cash. The Forest Service, for example, has stated that in recent years its permittees have invested approximately \$1 million annually for range improvements on the National Forests and National Grasslands alone. A comparable figure, I am sure, is true for private rancher funds expended to improve the BLM range lands.

The Report of the Interdepartmental Grazing Fee Committee (1967) stresses the advantages to the general public arising from these rarely-acknowledged private expenditures. The report states:

"Over the years [agency] policies and programs have recognized that successful administration and management of public grazing resources depends to a large extent on user cooperation. It has also been recognized that grazing permittees make a *significant financial contribution* to resource management over and above actual investments in improvement programs; and that management and improvement of the range resources yields benefits in terms of improved soil and forage conditions, wildlife habitat, recreation and watershed values, in addition to increased livestock use. Permittee contributions are in terms of costs of managing livestock on public ranges, maintenance of improvements, and other cooperation efforts *not usually required on similar private grazing lands*. Continued cooperation of this nature is essential to [agency] land management programs."

Mr. Chairman, the western rancher knows that he must not look back yearningly to the conditions that prevailed two or three decades ago in the livestock industry, even though the current price he receives for his product has not shown much advance since then. He knows that he must be prepared to pay his full and fair share for the federal forage resources that he needs for an economic grazing operation, just as he expects that the users of other resources, timber, minerals, recreation and the like shall pay for their uses.

The Public Land Law Review Commission has been engaged in an intensive study of the impacts and interrelationships of public land uses, now and for the future, including grazing forage use. Its report and recommendations, due in 1970, will be of great value for the understanding and guidance of the Congress, the federal agencies, the many land users, and the American public generally.

We believe that the present heads of the two Departments, Interior and Agriculture, can and in all good conscience should suspend or delay those portions of the new regulations which set automatic fee increases beginning in 1970 and thereafter. We know that the Congress in line with its over-view responsibilities for agency operations will give prompt and full consideration to the recommendations of the Public Land Law Review Commission, as well as to the views and needs of the land using industries. We look to this Committee and to the Congress in due course to provide updated legislative guidelines relating to grazing fees, tenure, access, compatible uses and the many complex issues affecting the future of the western livestock industry and of the local communities of which it is a vital part.

We appreciate this opportunity to express our thinking on the problems arising from the new regulations. We look forward hopefully to the results of this hearing. Thank you, Mr. Chairman.

Mr. TUDOR. Thank you, Mr. Chairman.

STATEMENT OF JOSEPH TUDOR, GENERAL COUNSEL, PUBLIC LANDS COUNCIL

In a statement made before the Senate Public Lands Subcommittee during the 1963 grazing fee hearings, the then Assistant Secretary of the Interior, John A. Carver, Jr., said:

Particularly I have pointed out that both the private system and the lot costs tend to be capitalized into the base property or into other values taken into account when ranches are bought or sold. Taylor rights have a value as any rancher or cattle country banker will tell you.

This was consistent, Mr. Chairman, with Mr. Carver's earlier 1962 statement made in an address to the national advisory board council discussing various principles to serve as guidelines for grazing fee increases. He cited the following as one of the pertinent principles.

No. 2. The situation of the users has to be taken into account and particularly the capitalized value of the Taylor Act priorities and fee levels. Grazing fees—

Said Mr. Carver—

without adequate consideration of this could result in confiscatory action.

In speaking of guiding principles for setting grazing fees, permit me to quote a statement made by the Chief, Forest Service, to the American Society for Range Management in 1967.

I feel strongly that in applying this new knowledge in setting grazing fees—

That is the 1966 survey—

we should be weighing rural economic needs, community stability, tenure of ranch ownership, and other factors. In other words—

Said the Chief—

I believe that the level of grazing fees should be tailored to fit regional or special situations and tempered to reflect much more than simply the generation of revenue for the Treasury.

And this was in 1967.

If I may continue for a moment or two, Mr. Chairman, Secretary Freeman's regulation published January 14 attributes the reason for nonrecognition of permit values, however that term may be defined, to Government policy as established in Budget Circular A-25, even though the circular does not use the words "permit value"; nor does it spell out just how fair market value is to be determined, what factors are to be considered, or what factors are to be omitted.

Yesterday, we heard the Chief, Forest Service, say they could not recognize permit value because to do so would in some mysterious manner not explain to us how to convert grazing privileges into grazing rights. And this legal assessment, Mr. Chairman, was made by Forest Service without benefit of legal counsel, as they told us.

The Bureau of Land Management and Secretary Udall in a letter to the chairman of the full committee in December 1968, also without aid of legal counsel said that Interior could not give recognition to permit values because again in some unexplained manner to do so would create a proprietary interest in the public lands contrary to the prohibition of section III of the Taylor Act.

As a longtime working lawyer in the field of public land law, I know that real property rights cannot be created particularly as against the United States in any such offhand manner as allowing or disallowing a remote business cost factor in an economic study. I am aware of no legal or for that matter policy inhibition that would prevent the departments from recognizing permit value if they have the will to do so.

Let me reassure this committee and my former colleagues in the Federal agencies that there is no hidden design.

I have here a statement, Mr. Chairman, by the representatives of the organized Western Livestock Industry, the National Cattlemen's Association, the National Wool Growers' Association, the Public Lands Council here today, which I am authorized to make.

The Western Livestock Industry disavows and denies any intent or desire to claim or assert as against the United States directly or indirectly any proprietary interest in or to the public lands or national forest lands purportedly arising out of the recognition by the Federal agencies of "permit values" as a cost factor in any comparison of costs

of using or grazing on the public lands compared to private lands, as in the 1966 western livestock survey, except as to any rights arising under the public land laws of the United States in the same way as they would apply to all other citizens.

In the effort to seek equitable treatment as is provided both in the 1951 act and in Circular A-25, as you will recall, the industry comes to this committee and asks its aid in obtaining the equitable treatment that has been assured to us.

Thank you, Mr. Chairman.

Mr. LEE. Thank you very much, Mr. Chairman.

Mr. BARING. Thank you very much.

Now, let's see, group 3, Joseph Burke, chairman of the Federal Lands Committee, accompanied by James L. Powell, president, and Edwin Marsh, executive secretary, National Wool Growers' Association.

You may proceed, gentlemen, go right ahead.

STATEMENT OF JOSEPH M. BURKE, CHAIRMAN, FEDERAL LANDS COMMITTEE; ACCOMPANIED BY JAMES L. POWELL, PRESIDENT, AND EDWIN E. MARSH, EXECUTIVE SECRETARY, NATIONAL WOOL GROWERS' ASSOCIATION

Mr. BURKE. Mr. Chairman, and members of the committee, I am Joe Burke, a sheep producer residing in Casper, Wyo., and I am appearing here before you today as chairman of the Federal Lands Committee of the National Wool Growers' Association. Sitting with me are the president of that organization, James L. Powell of Fort McKavett, Tex., and the executive secretary, Edwin E. Marsh of Salt Lake City, Utah.

Since the large witness list requires that we limit our oral presentation, I will summarize our written statement and would request that the complete statement, together with exhibit A at the back of the statement, be made a part of the record.

Mr. BARING. Permission has already been given for this.

Mr. BURKE. Thank you, Mr. Chairman.

In 1966, the livestock industry agreed to cooperate fully in a study to be conducted by the Statistical Reporting Service and agreed to abide by the outcome of that study if all cost factors were used in comparing grazing costs on public versus comparable private leased lands, including the cost factor of the capitalized value of the grazing permit. We believe in paying fair market value for forage resources if that value is arrived at in a fair and reasonable manner.

As has been brought out in this hearing, the special grazing fee committee of the National Advisory Board Council also recommended unanimously in December 1968 that this cost factor be included. This council is composed not only of grazing interests, but of other principal user groups as well, including wildlife. If fees had been set on this basis, then we would agree that they were reasonable, as required by the statute governing the setting of grazing fees; namely, the Taylor Grazing Act. By the same token, if fees had been set on the above basis, we would also agree that they reflect fair market value. We maintain that permit value was established when the Taylor Grazing Act

set up commensurability as a requirement to obtain a permit or a lease on public lands. The investment in commensurate ranch property is a cost the livestock producer must bear to secure a permit. The Federal grazing lands and the private ranch lands form an economic unit and are inseparable. In most cases either would be worthless without the other.

Recent Federal Government studies show that BLM and Forest Service graziers are realizing a net return on their investments of only 2 to 2.5 percent, and even less. In fact, my own State of Wyoming is one where the return is even less. In 1968 return on investment from sheep ranches in Wyoming was 1.28 percent. This is shown in exhibit A attached to our statement and entitled, "Economic Impact of a Rise in Federal Grazing Fees," which is an analysis of the Wyoming sheep industry prepared for us by the division of agricultural economics of the University of Wyoming. Using the same cost figures in a projection, this study shows also how this 1.28 percent return on investment would be lowered 5 years from now, in 1973, when less than one-half of the announced grazing fee increase is scheduled to be in effect. The grazing fee increase due by 1973 would lower the rate of return on the investment in Wyoming sheep ranches from 1.28 to 1.03 percent for the State as a whole.

And on page 5 of exhibit A attached to our written testimony the following statement is made:

If one were to prepare a budget for 1978 when 100 percent of the fee increase is in effect and if one were to assume income and all costs except Federal grazing as constant, the results would be more than double what they have been shown by the 1973 budget. In other words, the rate of return to owner's equity was 1.03 percent for the State of Wyoming in 1973. In 1978 this percent return on owner's investment would be 0.65 percent.

In southwestern Wyoming, where there are large acreages of BLM lands, it would, of course, be even less.

Wyoming has the largest sheep population of any of the Federal lands grazing States and sheep production in Wyoming is typical of production in many areas of the West. The economic studies set forth in exhibit A certainly indicate that the new fee schedule implemented by the two former Secretaries is beyond the ability of the graziers to pay. Certainly the rates must be held at levels within the reasonable ability of the stockmen to pay if the public grazing resources are to be utilized in a worthwhile manner in anyone's interest—including the public interest—and if these resource values are to be utilized by being turned into food and fiber and to pass beneficially from hand to hand.

Furthermore, we maintain that the policy laid down by the Bureau of the Budget for determining charges for Government resource is not applicable, at least in the case of forage resources of BLM lands. The reasonable fee provision of the Taylor Grazing Act is still applicable.

In view of the economic impact that this fee increase will have not only on livestock permittees grazing on Federal lands but also on many communities in the western public lands States whose economy is dependent primarily on the livestock industry—the industry that provides the taxes to build roads, schools, and other necessities—we strongly urge that the Secretaries of Agriculture and the Interior

suspend the fee increase and hold it in abeyance pending congressional investigation and also pending completion of the grazing fee study now underway by the Public Land Law Review Commission.

Thank you, Mr. Chairman.

(The statement follows:)

STATEMENT OF M. JOSEPH BURKE, CHAIRMAN, FEDERAL LANDS COMMITTEE,
NATIONAL WOOL GROWERS ASSOCIATION, SALT LAKE CITY, UTAH

Mr. Chairman and members of the committee, my name is M. Joseph Burke. I reside in Casper, Wyoming. I own and operate a ranch, raising principally lambs and wool from my flock of 6500 breeding ewes. I also raise some cattle. I own about one acre of ranch property for each acre of Federal land on which I operate. The private and Federal lands are intermingled and they are completely dependent on each other for a successful grazing operation.

I am also chairman of the Federal Lands Committee of the National Wool Growers Association and I am appearing before you today to present testimony in behalf of the members of that organization. Sitting with me today from the National Wool Growers Association are the President of the organization, James L. Powell, who is a sheep rancher from Ft. McKavett, Texas and the Executive Secretary, Edwin E. Marsh of Salt Lake City, Utah.

The National Wool Growers Association has its principal membership in a 23-state area where 85 to 90 per cent of the nation's sheep, lambs and wool are produced. This 23-state area of our membership includes all of the Federal Lands states of the West, which are the principal areas for livestock grazing on both Bureau of Land Management and National Forest lands. The National Wool Growers Association was organized 104 years ago and is recognized as the spokesman for the sheep farmers and ranchers of the United States.

At our 104th Annual Convention held in San Francisco, California, on January 15th to 18th of this year, the following resolutions were unanimously adopted:

"30. Grazing Fees.—The Bureau of Land Management and the U.S. Forest Service have now imposed an unreasonable and premature increase in grazing fees on Federal lands that does not take into consideration the cost of the permit itself which has a historically recognized capitalized value. This new fee schedule is to go into effect before the new Congress has an opportunity to review the changes; therefore, we request that this grazing fee increase be delayed until the new Congress shall have the privilege of reviewing the fee schedule and public hearings held in the areas affected and until the Public Land Law Review Commission has made its final report to Congress.

"This protest is based upon the premise that the conclusions arrived at by the Secretaries of the Interior and Agriculture were erroneous because of the omission of some of the cost factors brought out in the cooperative 1966-67 grazing fee study, particularly the omission of the capitalization of the value of the grazing permits.

"31. Permit Costs.—A comprehensive study has been made by the Bureau of Land Management and the U.S. Forest Service, in conjunction with the livestock industry, to compare the cost of our operations on private lands to the cost of operating on public lands. Cost of purchase or investment cost of the permits was included in the study. The capitalization of the investment is a cost of operating on the public lands.

"We request, in view of these facts, that the Bureau of Land Management and the U.S. Forest Service grazing fees be determined by including in the cost of operating on public lands, a capitalization of the value of the permits at 6 per cent."

In 1966 the livestock industry agreed to cooperate fully in a study to be conducted by the Statistical Reporting Service of the U.S. Department of Agriculture to determine the relationship between costs of grazing on Bureau of Land Management and National Forest lands and costs of grazing on comparable private leased lands. Some growers were reluctant to go into this study because of significant and somewhat irreconcilable differences in grazing by permit on Federal lands and grazing through leasing arrangements on private lands. Nevertheless, livestock growers cooperated to the fullest extent on this study, which involved 15 non-fee cost items.

Following completion of the study and as soon as the tentative results were available, they led to the inescapable conclusion that permittees grazing on Forest Service lands were already paying, on the average, at least full market value for an animal unit month (a.u.m.) of forage. The Forest Service apparently realized that if they were going to justify an increase in the fee they would have to change signals. The BLM apparently felt a change in signals was necessary when the tentative results of the SRS study showed that a 10 cents per a.u.m. increase for Federal range forage would place their permittees on a parity with private lease costs on comparable lands. Apparently the Bureau of the Budget and the two Federal agencies involved wanted the study to show the justification for much higher fees for attaining "fair market value".

Therefore, out of the 15 cost factors involved in the study a decision was obviously made that the capitalized value of the grazing permit as a cost factor for grazing on government lands would be eliminated as one of the cost items. Former Secretary of the Interior Udall justified the disallowance of this cost factor by equating "permit value" as denoting a proprietary interest in the public lands, which he said is prohibited by Section 3 of the Taylor Grazing Act. Former Secretary of Agriculture Freeman said Bureau of the Budget Circular A-25 would not permit including the capitalized value of the permit as a cost item although we fail to find any such restriction in the circular.

Perhaps at this point, in an effort to solve the difficulty and controversy between livestock graziers and the Federal agencies, we should define our concept of "permit value". One major difference between grazing on Federal lands and leasing private lands is the fact that before any livestock producer can secure a permit to graze on Federal lands, he must qualify with definite commensurability requirements. In some cases where Federal lands are leased under Section 15 of the Taylor Grazing Act, the Federal lands and the deeded lands are so intertwined and interwoven that they are completely dependent on one another and the operator may be grazing on both the year-round. A grazing permittee operating under Section 3 of the Taylor Act must possess sufficient private range land and/or water to carry his livestock during those months of the year when the animals are not grazing on the Federal lands. He is also required to have a preference right based on prior use because generally the Section 3 forage is inadequate for all users. There is no such commensurability requirement for leasing private grazing lands.

Many of the Federal lands, especially desert areas, would lie idle and would be worthless if it were not for the private ranch properties and stock water to make a year-round livestock operation possible and certainly livestock have to be fed and watered during all 12 months of the year. In order to qualify for a grazing permit on the Federal lands a livestock producer must maintain a substantial investment in his private ranch property. The investment in the ranch property is a cost the livestock producer must bear to secure the permit. The Federal grazing lands and the private ranch lands form an economic unit and are inseparable. In most cases, either would be worthless without the other.

The private grazing land lessee, on the other hand, is not required to invest funds in lands containing these special attributes or values. His costs of doing business are, to that extent, less than his costs would be if he sought to qualify for a permit to graze on the Federal lands.

It is simply inconceivable for the Federal agencies to try to justify eliminating as a cost factor in grazing on Federal lands, the required investment in ranch property and/or water—the commensurability requirement set forth in the Taylor Grazing Act. We are not seeking a vested interest in the Federal lands, but the Taylor Act itself established permit and lease values when it established commensurability requirements, or adjacent land requirements, to make a rancher eligible for preference to a permit or a lease. While it is not a right to land, it is a right to a preference and it is a privilege accorded those who qualify through commensurability. It is the commensurability factor that gives a permit or lease a value that is a cost which must be recognized.

Sheepmen and cattlemen cooperated in the SRS study with the understanding that Federal agencies would also operate in good faith and determine fees on the basis of a comparison of *all* costs involved. If the term "permit value" is confusing, then let's give it another connotation but certainly it should be considered as the special qualities or attributes of "commensurability" inherent in

the underlying base property (land or water) on which the grazing permittee has a substantial investment and on which he pays taxes.

And, speaking of taxes, we understand the Internal Revenue Service has recognized the investment in permit values as a business cost. Also, the Internal Revenue Service has long insisted that Federal grazing permits and leases have a value and they have imposed tax assessments against these values in taxing of estates. In fact, we believe the State of California now taxes the possessory interest in Federal grazing permits.

The dollar market value of the permit has also been recognized by the Department of Defense in the Engle Act of 1942; by ranchers being paid the market value of their permits by the Federal government, under certain specific statutes, when reclamation and similar projects have changed land use; and by many agricultural lending institutions throughout the United States loaning money to sheep and cattle ranches.

Mr. J. Stanley Peters, Secretary-Treasurer, Utah Livestock Production Credit Association, Salt Lake City, when asked if his institution considers grazing permits as having value when considering loans, made the following statement:

"In considering applications for operating loans to sheepmen and cattlemen, we always use a financial statement as one of the chief considerations in approval of the loan. The financial statement always lists Taylor Grazing and Forest permits as important assets. We usually take waivers on Forest permits as additional collateral to loans."

For many years the Federal Land Bank and other lending agencies have had assurances that permits or leases would not be disturbed during the lifetime of the loans made on the commensurate base property. In fact, in a November 12, 1968 compendium sent to us by the Department of Agriculture and entitled, "Studies, Alternatives and Recommendations on the Forest Service Grazing Fee Issue", the Department itself recognizes that grazing permits have a dollar market value. I quote from "U.S. Forest Service Grazing Fees Program" contained in this compendium:

"Since Forest Service grazing permits have acquired value over time in competitive grazing markets, and since most permittees have paid the market price for them, an increase in fees to recover grazing values for the Government would result in both income and capital losses for permittees. Fee increases would also have an adverse effect on the income of local economies and, consequently, on Forest Service and Departmental rural area development programs."

The Department of Agriculture recognizes the permit value and also recognizes the economic impact which the fee increase and the ultimate amortization of the permit value will have on individual ranchers and local rural economies. What is their proposal to cushion this economic impact? Again I quote from the November 12, 1968 compendium:

"Increased in-put of Federal dollars for conservation, development and utilization of National Forest system ranges where economic and social problems exist. (These funds would provide jobs, additional grazing and better resource conservation and stewardship.)"

The fee increase is to secure more money for the Federal treasury and the Department of Agriculture then proposes to take money out of the same Federal treasury to cushion the economic impact on individual ranchers and local rural economies. To us, this is poor economics. In fact, it doesn't make much sense.

It was indicated by the Department of the Interior during the 1963 grazing fee hearings that the fee-fixing activities of the Secretary of the Interior are also governed by the provisions of Title V, Act of August 31, 1951 (65 Stat. 290). However, there is a saving clause in this statute, which states:

"That nothing contained in this title shall repeal or modify existing statutes prescribing bases for calculation of any fee, charge or price, but this proviso shall not restrict the redetermination or recalculation in accordance with the prescribed bases of the amount of any such fee, charge or price."

This clause protects and continues "existing statutes prescribing bases for calculation of any fee, charge or price. . . ." It is our contention that Section 3 of the Taylor Act prescribes, within the meaning of the foregoing saving clause, the basis for calculation of the grazing fee, charge or price; namely, "reasonable fees" to be fixed or determined by the Secretary after taking into account "the extent to which such districts yield public benefits" over and above those accruing to the forage users.

Nor can it be argued that the fee increase imposed is merely a "redetermination or recalculation in accordance with the prescribed bases", and thus excluded from the saving clause protection of this proviso. This is so because the Secretary of the Interior has clearly demonstrated that in the new fee increase imposed, he has abandoned the prescribed "reasonable fee" standard of Section 3 of the Taylor Act and has adopted instead an entirely different basis for fee calculation; namely the "fair market value" standard of Circular A-25.

While we believe in paying fair market value for forage resources *if* that value is arrived at in a fair and reasonable manner, we contend that the increase grazing fee imposed by the former Secretary of the Interior, establishing a fee which is purported to be based on a "fair market value" standard, and not taking into account all of the cost factors in the SRS study, does not reflect fair market value, is improper and invalid and contrary to the "reasonable fee" limitations and provisos of Section 3 of the Taylor Act.

Furthermore, the special grazing fee committee of the National Advisory Board Council unanimously recommended to the former Secretary of Interior that the capitalized value of the grazing permit be given recognition for the purposes of the 1966 SRS cost study and that the resulting fee basis take this into full consideration. This recommendation was made at a December, 1968, meeting of the Council in San Francisco, and Secretary Udall rejected it even though the Council is composed not only of grazing interests but other principal user groups as well, including wildlife.

If this improperly arrived at "fair market value" policy for fixing of grazing fees remains in effect, then we question seriously whether anywhere near a worthwhile use can continue to be made of the Federal lands for grazing, especially in the vast, generally desert-like regions of the western Public Lands states.

In these desert-like regions, the grazing resources usually consist of livestock ranch lands, irrigation and stockwaters, generally private-enterprise controlled, and the forage crops of the Bureau of Land Management and Forest Service grazing lands, Federally controlled. It has long been demonstrated that if these private and public grazing resources are to be utilized in a worthwhile manner in anyone's interest, they must be utilized together by stockmen with their livestock herds.

The key which determines whether this can be done lies in the hands of those Federal agency officials in charge of fixing the rates at which the government forage crop resource values are to be used. If the rates are held at levels within the reasonable ability of the stockmen to pay, then and only then can these resource values be utilized by being turned into such things as food and fiber, negotiable funds, etc., to pass beneficially from hand to hand.

If on the other hand the grazing fee rates are not held at such levels, the forage resources of these vast desert-like regions cannot be recovered at all and many of these areas will become idle wastelands.

The new grazing fee rate fixing policy of the Bureau of the Budget calls for these rates to be fixed without regard to the value of the grazing privileges concerned to the recipients, the result being that the rates being fixed in line with this new policy are not being held at levels which the recipient can afford to pay, but at rates far beyond that point. Such a policy can only result in these out-of-the-ordinary forage resources of the desert-like regions no longer being available for worthwhile recovery for beneficial, economic use by anybody at all.

In Section 6 of Bureau of the Budget Circular A-25, government agencies are directed, in any case where collection of fee charge rates for Federal Government services or property as called for by this circular happen to be limited or restricted by existing law, to submit to the Bureau of the Budget "appropriate remedial legislative proposals". We are wondering if the Bureau of the Budget officials have in mind starting in with livestock forage crops resource values of the Federal lands, following up by cashing in to the limit likewise on all of the other various resources situated on these lands; for example, water for irrigation and municipal power, timber, minerals, fish and game, recreation, etc. If this is the plan, why shouldn't this fact be brought out in the open beforehand? If it isn't the plan, why are they moving in that direction in the case of livestock forage crop resources of the western Public Lands states?

SUMMARY

Sheepmen and cattlemen cooperated in the SRS study and agreed to abide by the outcome of that study if all cost factors were used in comparing grazing costs on public versus comparable private leased lands, including the cost factor of the capitalized value of the grazing permit. As previously stated, the special grazing fee committee of the National Advisory Board Council also recommended unanimously in December, 1968, that this cost factor be included. If fees had been set on this basis, then we would agree that they were reasonable, as required by the statute governing the setting of grazing fees; namely, the Taylor Grazing Act. By the same token, if fees had been set on the above basis, we would also agree that they reflect fair market value.

Recent Federal Government studies show that BLM and Forest Service graziers are realizing a net return on their investments of only 2 to 2½ per cent, and even less. This would certainly indicate that the new fee schedule implemented by the two former Secretaries is beyond the ability of the graziers to pay. Furthermore, we maintain that the policy laid down by the Bureau of the Budget for determining charges for government resources is not applicable, at least in the case of forage resources of BLM lands. The "reasonable" fee provision of the Taylor Grazing Act is still applicable.

In view of the economic impact that this fee increase will have not only on livestock permittees grazing on Federal lands but also on many communities in the western Public Lands states whose economy is dependent primarily on the livestock industry—the industry that provides the taxes to build roads, schools, and other necessities—we strongly urge that the Secretaries of Agriculture and the Interior rescind the fee increase and hold it in abeyance pending Congressional investigation and also pending completion of the grazing fee study now under way by the Public Land Law Review Commission.

Exhibit "A"

ECONOMIC IMPACT OF A RISE IN FEDERAL GRAZING FEES (AN ANALYSIS FOR WYOMING SHEEP INDUSTRY)

(Prepared by Division of Agricultural Economics, University of Wyoming)

INTRODUCTION

The basic data for this report are taken largely from Bulletin 444 published in 1966 entitled, *Sheep Industry in Wyoming—An Economic Analysis*. Approximately 42 percent of Wyoming's 1.8 million sheep are located in southwestern Wyoming with 29 percent in north central and northeastern Wyoming. In southwestern Wyoming, capital investments per sheep are relatively low due the large amount of land owned by the Union Pacific Railroad and also the large amount of BLM land which is available. The sheep are wintered on the desert and are moved to the foothills in the fall and in the spring where the ewes are lambd on the range. Most bands of sheep spend 2 to 2½ months on the National Forest. The desert climate is rigorous, death loss is high, percent lamb crop is low and earnings per head are very low for the largest segment to Wyoming's sheep industry. In north central Wyoming operations are similar to the southwest area except that there is more feed available due to the proximity of good irrigated land. An operator with several bands may lamb out early one or more bands in the sheds. This involves more cost and income per head and may result in higher earnings than in other areas.

In northeastern Wyoming all range sheep are run under fence and the investment per head is high in comparison to other areas because there is little BLM and no National Forest land available for use. In other words, the operator must own nearly all of the land which he uses. In this area the labor costs are less, but the investment costs are very high due to investment in fencing and land ownership.

The 1964 study reported in Bulletin 444 shows that for the northcentral area the return to owner's equity was \$1.50 per head. The owner's equity was \$85.08 per head and this gives a return of 1.76 percent. Similarly the percent return on owner's equity for the northeastern area was 1.12 percent and for southwestern area .3 percent giving a weighed average of 1.06 percent return for the average dollar invested by the operator in the Wyoming sheep business in 1964.

1968 BUDGET

Using the 1964 data as a base, budgets were prepared for the year 1968 by updating the annual operating costs shown in Bulletin 444 and by updating the investment requirements per head which resulted from increased land values. The percent lamb crop for Wyoming was higher in 1968 and prices received for the lambs and wool sold were also higher. Despite increased costs of production the average return on the owner's investment in 1968 was 1.28 percent for the state of Wyoming.

Table 1 shows the capital investment and other inputs per head for the three range sheep areas of Wyoming and for the entire state. For the state of Wyoming, the investment was \$109.94 per head with a mortgage debt on the land of \$25.84 leaving owner's equity of \$84.10 per head. The average rancher owned 76 percent of the investment and had an average of 5,577 sheep per ranch. Other physical inputs per head included 4.80 acres of owned land, 2.22 acres of leased land, .53 AUM's of BLM land, .08 AUM's of National Forests. The feed for the typical sheep ranch in Wyoming came from the following sources: 6.20 months from owned land, 2.35 months from rented land, 2.65 months from BLM land, .40 months from the National Forest and .40 months from purchased feed. The average rancher received about 88 percent lamb crop of 78 pound lambs. After withholding ewe lambs for replacements, the pounds of lambs sold per head were 41.2 pounds at \$21.10 per cwt; 12.7 pounds of old ewe at \$5.60 per cwt; and 10.2 pounds of wool at \$.65 per pound.

The value of the BLM grazing permits on a perhead basis was arrived at by multiplying the .53 AUM's by a value of \$14.41 per AUM, which is the value reported in the BLM grazing fee study. For the National Forest permit value was determined by multiplying .08 AUM's by the value of \$17.29 per AUM. The coefficients, .53 AUM's and .08 AUM's were the findings of our 1964 sheep study. Similar data are shown in Table 1 for all three range areas of Wyoming. The figures for the entire state were arrived at by weighing the three range areas according to the percentage of sheep found in each area.

The costs, returns and earnings per head of sheep for the three areas in Wyoming and for the entire state are presented in Table 2. The components of annual operating costs were taken from the 1964 study and were updated to show costs in 1968. The interest on operating loan represents the annual payment made for borrowed operating capital. The interest on mortgage debt refers to the interest the operator paid on the land mortgages against the ranch. The ram costs represent the cost of purchasing new rams each year less the sale value of those rams which are worn out and sold. A wage of \$5,000 per year was charged for the operator's labor.

The total operating cost for the state of Wyoming was \$14.95 per head. With an income per head of \$16.03 this leaves a return to the owner's equity of \$1.08. The owner's equity for 1968 was \$84.10 and this divided into the return of \$1.08 represents a rate of return of 1.28%. Similar data for each range sheep area of Wyoming are shown in the first three columns of Table 2.

IMPACT ON RANCHES OF FEDERAL FEE RISE

Holding all costs and income constant, a budget was made for 1973 for five years after the rise in Federal grazing fees. It was assumed that the BLM fee would be increased by 136 percent, or from 33¢ per AUM to 78¢ per AUM. For the state of Wyoming this means BLM fees per head in 1973 would be 42¢, or an

increase of 24¢ per head of sheep. Likewise the forest fee would be increased by 28 percent, an increase of 2¢ per head of sheep in 1973. All other costs and income are assumed as constant. With these increases in grazing fees, the return to owner's equity of \$1.08 in 1968 was reduced to \$.82 per head in 1973. However, the owner's equity of \$84.10 in 1968 was reduced to \$79.61 per head in 1973 due to the decapitalized value (assumed to be 50%) of the Federal grazing permit values. The earnings of \$.82 per head in 1973 on an investment of \$79.61 is a return of 1.03% for the state of Wyoming.

FEDERAL FEE RISE IMPACT ON STATE OF WYOMING

The increased costs to Wyoming sheep ranchers in 1973 of the proposed fee increases amount to a total of \$418,543 (see bottom, Table 2). The BLM fee increase of 24¢ per head times 1,675,256 head of sheep in Wyoming which used BLM land, represents an increase of \$402,061. The remaining \$16,482 comes from a 2¢ increase in Forest fees for 824,095 sheep in Wyoming which used the National Forests.

In the 1973 budget, the decapitalized value of the Federal grazing permit would cause a loss in capital value of \$9,945,152 (see bottom of Table 1). This is arrived at by multiplying the AUM's on BLM land by \$7.22 and the number of AUM's on National Forest by \$8.64. These two figures represent the value of an AUM of grazing as reported by the BLM grazing fee study

SUMMARY

The foregoing analysis shows something of the economic impact of a rise in grazing fees of 136 percent and 28 percent respectively for BLM and National Forests on the sheep industry of the state of Wyoming. For 1966, Wyoming was assigned 2.8 million animal unit months on the Federal range: 1.5 million of this was for cattle and 1.3 million for sheep. The analysis of the sheep industry represents only about 47 percent of the total impact of the rise in grazing fees on the State of Wyoming. The other 53 percent would be shown if a similar analysis were made on the cattle industry in the state of Wyoming.

It has been shown that each dollar of income to the sheep industry generates approximately \$1.31 of additional commercial business.¹ Therefore, each dollar is valued at approximately \$2.31 when the primary and secondary benefits are considered. The increased costs of the rise in Federal grazing fees to the sheep industry amounts to approximately \$419,000. When this is increased by 2.31 fold, the impact on the economy of the state is nearly one million dollars ($\$419,000 \times 2.31 = \$967,890$). It would be more than double this amount if one were considering both the cattle and sheep industry.

The 1973 budget presented herein has assumed that less than one-half of the rise in Federal grazing fees will take place by 1973. If one were to prepare a budget for 1978 when 100 percent of the fee increase is in effect, and if one were to assume that income and all costs except Federal grazing as constant, the results would be more than double what they have been shown by the 1973 budget. In other words, the rate of return to owner's equity was 1.03 percent for the state of Wyoming in 1973. In 1978 this percent return on owner's investment would be .65 percent.

In addition to the direct effects of the increase in Federal grazing fees, other indirect effects would likely occur. For example, the Union Pacific Railroad which owns a large part of the grazing land in southwestern Wyoming would likely increase grazing fees. State-owned lands and private owners who rent grazing land to sheepmen in Wyoming would likely increase their rental rates.

¹The Economic Value of Wyoming Sheep and Wool Industry to Wyoming's Economy, by Glenn P. Roehrkaske, Mimeo Circular No. 168, Division of Agricultural Economics, Agr. Exp. Sta., University of Wyoming, April 1962.

A decline in the capitalized value of the Federal grazing permits has an adverse effect on the net worth of the individual rancher. The average sheepman in Wyoming in 1968 owned only about 76 percent on the total ranch investment, whereas the average agricultural producer throughout the U.S. owned approximately 82 percent. With a decline in the value of Federal permits, he would own even less of the total investment and as such would find it more and more difficult to borrow money to finance annual operating costs. The sheepman at the present time is able to stay in business partially through the increased value in grazing land values. The banker recognizes this increase in land value and permits the individual operator to borrow against this rise in land values. As a result, instead of gaining in net worth, through the years the average sheep rancher in Wyoming is suffering a loss in net worth. The smaller, less efficient operator will be very adversely influenced by the rise in grazing fees. This small rise in his annual operating expenses per head will be sufficient in many instances to cause a failure of his sheep business.

TABLE 1.—CAPITAL INVESTMENT AND OTHER INPUTS PER HEAD

[Federal Grazing Fee Rise Impact Study: Budget for 1968—Wyoming]

	Area of Wyoming			All Wyoming
	North-central	North-eastern	South-western	
Capital investment (per head):				
Deeded land.....	\$65.21	\$94.46	\$45.76	\$65.52
Buildings and improvements.....	9.00	12.68	5.80	8.72
BLM permit ¹	8.21	3.75	9.80	7.58
National forest permit ²	2.76	None	1.38	1.40
Power and machinery.....	5.93	5.07	3.84	4.80
Livestock.....	20.30	19.56	20.43	20.14
Feeds and supplies.....	1.74	.96	2.38	1.78
Total.....	113.15	136.48	89.39	109.94
Mortgage debt.....	\$21.15	\$26.98	\$28.29	\$25.84
Owner's equity.....	\$92.00	\$109.50	\$61.10	\$84.10
Percent owner's equity.....	81	80	68	76
Number of sheep per ranch.....	3,776	3,948	7,946	5,577
Other inputs (per head):				
Acres owned land.....	\$3.02	\$4.50	\$6.25	\$4.80
Acres leased land.....	.75	1.85	3.50	2.22
Animal unit months (BLM).....	.57	.26	.68	.53
Animal unit months (National forest).....	.16	None	.08	.08
Months of feed from:				
Owned land.....	\$6.35	\$7.35	\$5.35	\$6.20
Rented land.....	\$1.50	\$3.00	\$2.50	\$2.35
BLM—Animal unit months.....	\$2.85	\$1.30	\$3.40	\$2.65
National forest—Animal unit months.....	\$0.80	None	\$0.40	\$0.40
Purchased feed.....	\$0.50	\$0.35	\$0.35	\$0.40
Percent lamb crop.....	95	85	83	88
Average weight of lamb (pounds).....	80.0	72.0	80.0	78.0
Pounds sold per head:				
Lamb.....	50.5	35.2	38.9	41.2
Ewe.....	13.1	12.0	12.9	12.7
Wool.....	10.0	9.9	10.5	10.2
Average price:				
Lambs (per hundredweight).....	\$21.10	\$21.10	\$21.10	\$21.10
Ewes (per hundredweight).....	\$5.50	\$5.50	\$5.75	\$5.60
Wool (per pound).....	\$0.65	\$0.67	\$0.64	\$0.65

1973 BUDGET

Loss in value of Federal grazing permits to Wyoming sheepmen:

BLM permit \$8.5 million (1,180,210 animal unit months times $\frac{1}{2}$ of \$14.41 per animal unit month).National forest permit \$1.4 million (164,819 animal unit months times $\frac{1}{2}$ of \$17.29 per animal unit month).¹ Based on a value of \$14.41 per animal unit month as reported by BLM grazing fee study.² Based on a value of \$17.29 per animal unit month as reported by U.S. Forest Service study.

TABLE 2.—COSTS, RETURNS, AND EARNINGS PER HEAD OF SHEEP

[Federal Grazing Fee Rise Impact Study: Budget for 1968—Wyoming]

Components of cost	Area of Wyoming			All Wyoming
	North central	Northeastern	Southwestern	
Hired labor.....	\$4.34	\$2.30	\$4.68	\$3.89
Feed purchased.....	2.12	1.37	1.27	1.55
Land leases.....	.60	.75	.70	.69
BLM fees.....	.19	.09	.22	.18
National Forest fees.....	.10	-----	.07	.06
Shearing.....	.59	.57	.71	.63
Fuel and repairs.....	1.35	1.27	1.05	1.20
Taxes.....	.76	.75	.74	.75
Depreciation.....	1.12	1.35	.70	1.01
Interest on operating loan.....	.50	.34	.40	.41
Interest on mortgage debt.....	1.16	1.45	1.52	1.40
Ram cost.....	.55	.48	.52	.52
Operator's labor.....	1.32	1.27	.63	.99
All other operating costs.....	1.86	1.42	1.70	1.67
Total cost ¹	16.56	13.41	14.91	14.95
Returns from:				
Wool.....	\$6.50	\$6.63	\$6.72	\$6.63
Lambs.....	10.66	7.42	8.20	8.69
Ewes.....	0.72	0.66	0.75	0.71
Total income.....	17.88	14.71	15.67	16.03
Total operating costs.....	16.56	13.41	14.91	14.95
Return to owner's equity.....	1.32	1.3	.76	1.08
Rate of return to owner's equity (percent).....	1.43	1.19	1.24	1.28
Owner's equity (per head—1968).....	\$92.00	\$109.50	\$61.10	\$84.10
Owner's equity (per head—1973).....	\$86.52	\$107.62	\$55.51	\$79.61

1973 BUDGET

BLM fee (\$0.33 to \$0.78=136 percent).....	\$0.26	\$0.12	\$0.30	\$0.24
Forest fee (\$0.15 to \$0.19=28 percent).....	\$0.03	None	\$0.02	\$0.02
Return to owner's equity (1973).....	\$1.03	\$1.18	\$0.44	\$0.82
Rate of return to owner's equity (1973) (percent).....	1.19	1.10	0.79	1.03
Increased cost to Wyoming ranchers in 1973 with Federal fee increases:				
BLM fees $0.24 \times 1,675,256$ equals.....				\$402,061
Forest fees $0.02 \times 824,095$ equals.....				16,482
Total.....				418,543

¹ Does not include interest imputed on owner's capital.

Mr. BARING. We appreciate your statement very much. Do one of the other gentlemen have a statement now?

Mr. POWELL. No: we are deferring.

Mr. BARING. You gentlemen did not complete the hour so that we will have a little longer for questioning.

The men that testified, Leonard Horn, Reuben Pankey, Harry Lee, Joseph Burke—any of the committee members now wish to question them?

I would want to say one thing. The testimony of—I will find it in a minute—most of you do agree that the raising of the fee was ill-timed at this time. I think that is the consensus of this particular group.

Mr. BURKE. Yes, Mr. Chairman.

Mr. BARING. That the Department should have waited at least till the Public Land Law Review Commission had made its report.

I have talked with a lot of cattlemen, especially in my own State, who feel like the fee of 11 cents is too much at this time. How do you gentlemen feel at this time? Do you think that the Bureaus are wrong in raising it that much? I do not mean over the 10-year period for the \$1.24. I mean just for this year?

Mr. BURKE. Well, for this year I think that most of us are in agreement that the BLM raise was perhaps justified, but not the Forest Service fee increase.

Mr. HELMING. We agree with that. It should be 10 cents instead of 11, but it is pretty much in the ball park for BLM but for Forest Service no fee increase was justified, or established as a result of the study.

Mr. LEE. The counsel agrees.

Mr. BARING. The gentleman from California.

Mr. JOHNSON. Thank you, Mr. Chairman.

I want to say that I think the three groups that have spoken to us here this morning have given us a pretty clear picture of the position of the livestock industry, and it is fairly widespread because we have heard from operators from different States.

I would like to ask Mr. Horn—it was the opinion of the livestock industry that all 15 items were going to be a part of the consideration, is that right?

Mr. HORN. Yes, definitely. This was our understanding from the outset, that all 15 costs would be included, and we surely would not have got 10,000 livestock operators to have cooperated as well as they did if they had not thought that this was a study to establish what our true fair fees should be.

Mr. JOHNSON. Now, your first real information that it was not going to be considered and had been eliminated was with the announcement on November 18, 1968, or thereabouts?

Mr. HORN. We had had some indication after it was finalized, and we had had some meetings with the Federal Land Use agencies but after the finalization of these 15 cost items came in, that possibly they could not use this one item, but we have never gone into the survey in the first place. I am sure that we all—we would not have been able to put all the livestock operators into it to work as thoroughly as they did if they had not understood that all 15 cost items were to be included.

Mr. JOHNSON. Now, also, you people met in Denver, I believe it was, and at that time you figured that this was still under consideration—

Mr. HELMING. Yes.

Mr. JOHNSON (continuing). And within the items to be considered?

Mr. HELMING. Yes, basically.

Mr. BURKE. Yes.

Mr. JOHNSON. There are three questions here that we would like to have answered, and I will direct them to Mr. Horn, and then anyone that wishes to answer can answer.

The first question that the Committee would like to have in the record here, what effect will the new grazing fee schedule have on the range livestock operator's commitment of capital and labor for various range improvements? Now, this was brought out in your statement, Mr. Horn.

Mr. HORN. Yes, this is correct. And we feel that with this increased fee, that is after the 10-year period—now, the first increase of 10 cents which has been brought out the first year is not a great deal and is not going to hurt anybody so badly, but as you get farther down the line and you approach the \$1.23, we are going to just have all our money tied up. We cannot afford to put money back into these lands and we have not any equity in them so a lot of livestock people will say, why should they put money into it? They haven't any interest in this land. They have been told that they had no permit value left in it. The ranches are devaluated probably 50 percent on account of this permit value being eliminated. And so there could be very little interest in putting money in. And they are not going to have it in the first place because there are going to be many thousands of dollars going into fees.

Mr. JOHNSON. As of the present, I would say that you people have been participating in improvement programs along with the Government on the ranges that you hold under permit.

Mr. HORN. We surely have.

Mr. JOHNSON. Both cattle and sheep ranches?

Mr. HORN. Another feature that I might add to that is the public benefits, such as water developments which is so fine for wildlife, trails so that the people can drive their jeeps or cars back into the back country. When I say trails, they're roads really. We put a dozer in there and build roads back into the back country. We have done a lot of things primarily to get in there to build stock ponds and things, but they are able to use them, able to get into that back country. They camp at many of these water sites that we have developed. So we think there are a lot of public benefits that are increasing all the time.

Mr. JOHNSON. The second question, does recognition of the capitalized dollar market value of the grazing permit give the rancher a vested right or interest in the lands?

Mr. TUDOR. Mr. Chairman, I speak as I have indicated in my original statement as a lawyer who was advisory to the Department of Interior in this field. I cannot at all see how it gives them any vested right. No. 1, the Taylor Act prohibits it. No. 2, you cannot create vested rights in this manner. And No. 3, the industry does not assert any right one way or the other. It would be the most simple thing for the Government to defend any such allegation in a court of law. And I cannot see how the industry would even, or any member of the industry, any sensible member of the industry would make such assertion. And of course we have this claim.

Mr. JOHNSON. Question No. 3, what effect will the new grazing fee schedule have on the ranchers' equity, investment and credit position?

Mr. HELMING. I would like to comment on that.

Mr. JOHNSON. Mr. Helming.

Mr. HELMING. First of all, equity in the permit would be lost in the total. Now, in the case of ranches particularly in the Southwest where there is very little base property or fee land other than some private property around the water hole and this type of thing, that is the total value of the ranch. You might have a half a million dollar operation and it is all, it is totally tied up in the grazing permit. But if you take the total western United States, the decapitalization, de-

valuation of the real property could be as much as 50 percent very easily.

Mr. JOHNSON. What was that figure?

Mr. HELMING. Could be as much as 50 percent.

Mr. JOHNSON. Fifty percent. That is all, Mr. Chairman.

Mr. BARING. The gentleman from Iowa.

Mr. KYL. Do you gentlemen have any way of figuring how much of the value of the permit is intrinsic value, and how much is actually based on physical improvements on the public lands which are grazed?

In other words, is not a great part of that value in fence, in roads, in improved grazing and water and so on?

Mr. HELMING. Yes. Over the years, of course, even before there were permits in the first place these ranchers were pouring money into this type of thing, but when the permit was created this value was transferred to the permit by virtue of the continual plowing back into the ranges, both public and private, many different types of range improvements. And over the years it has accumulated value. And I would like to give an illustration of how this value is reflected in the marketplace through supply and demand.

It was intimated yesterday that grazing permits have consistently gone up in value. Well, we have evidence to show that grazing permits in some cases have gone down in value simply because the range itself just through the supply and demand situation went down in value. But a large portion if not all of that, a significant portion of the dollar value in that permit is through the improvements and the capital that has been put into both private and public ranges.

Mr. KYL. Is there any place you have found in law or in court decisions other than in this circular, wherein provision has been made for this term "fair market value" which we are battling about now?

Mr. TUDOR. The term fair market value is a very indefinite term in law. It depends, it depends on a matter of experience in using the term, or in appraising. So far as I am concerned as a lawyer, the term as applied here is a bare label to the 14 or 15 items, because there's not been any experience, not withstanding the studies of the universities, any experience, any great experience in assessing fair market value. These things do not happen all the time. All we have done——

Mr. KYL. But is there anywhere in grazing law that you have ever found this phrase.

Mr. TUDOR. I am not aware of that, sir, no.

Mr. KYL. I do not know if the States that you gentlemen represent have a fee system similar to that which is employed in Arizona on State lands. In various States the fee is based on gain or on market price. It is my understanding that in the State of Arizona if the State formula figure were applied so far as the Federal Government is concerned, you may have a cent or two higher grazing fee right now than you have under the Federal system.

Have you ever made any studies as to how this kind of a system might be substituted by the Federal Government as its method of determining the grazing fees?

Mr. HORN. I am not familiar with the Arizona system.

Mr. HELMING. I am not specifically familiar with the illustration cited in Arizona, but I can comment on it in general.

In essence, this is what the basis of this grazing fee study is. It took as a common denominator, as a premise of establishing value the private lease rate between rancher A and rancher B. By the way, that private lease rate does reflect some capitalized return as we are all familiar with in private lease arrangements, plus these other 14 cost items in the competitive marketplace. And we have agreed and I think we have established that there does exist a competitive marketplace for the private forage as there does for the public forage from the standpoint of the buying and the selling and the transfer of these grazing permits. So we are really doing the same thing. We have the private on the one side and it is comparing public over here.

Mr. KYL. That is exactly what I wanted you to bring out in answer to that question. Let me say this to you, rather than asking questions.

It is my own personal assumption that the current argument is philosophical rather than economic. We have very potent forces in the country who are interested in eliminating all special users, in the interest of what they might call general public users. And we get into some interesting conflicts there, because we have fought the battle now for 2 or 3 years in regard to recreationists on lands which were developed by the Federal Government. We find these strong voices saying that since the lands belong to everyone, we should not make any charges or user fees on Corps of Engineer developed recreation areas, for instance, or forest areas, et cetera, et cetera.

The battle has mainly been fought over land and water conservation funds and factors pertinent to that discussion. But I think ultimately the battle you are going to face is not going to be decided on a matter of economics but on a decision relative to the multiple use, general use concept, specific use concept. And I am very much worried about this because you people represent separate areas of the country. The Members of Congress represent all parts of the country, and the strong newspaper voices, radio and television, are much more concerned with broad general use of the public lands than they are with the grazing.

And I say all of this again to help you, I hope, recognize the fact that you are involved in more than hard economic study.

Thank you very much, Mr. Chairman.

Mr. BARING. The gentleman from Arizona.

Mr. UDALL. Mr. Chairman, I do not have very much. I want to commend the industry people for the statements they make here. I know it is a little frustrating to work for weeks on the preparation of your testimony and gathering of so much data and then have rigid time limitations through no fault of yours or ours. I hope I can comfort you by saying I personally have read all of these statements. I am sure the members of the committee have. The major points have really been made. I think you found out from your individual discussions that members of this committee are interested and do understand your point of view. I think you have made a permanent record here that will be printed and be very valuable to all of us. I think you have met the issues head on. I particularly compliment all of you on being willing to say frankly that some increase is indicated, even though you believe that the proposed 10-year increase in your judgment is totally unjustified. But I think you have given your cause support and you have done your cause a lot of good by being willing to admit that at least some increase is justified.

Let me ask just one question.

We have all agreed that the central question is the problem of permit value and whether it can be capitalized. If you are right, then clearly the decisions that were made were wrong. But I have one aspect which no one has yet touched upon.

Suppose that John Tunney here owns a ranch with a permit and he is a very careful husbandman and he watches his fences and he keeps his tanks in good shape and he takes care of the land and he is very cautious and careful. I own a permit next door and I am a pretty lousy rancher. I am off drunk in Tucson half the time and so on.

When one buys a permit from Tunney instead of buying from me, are you getting something beyond simply the right to graze a certain number of cattle on a Federal range? Is there an element of husbandry, individual attention to the land that may vary from one man to the other and has a special added value.

I think this is something that has not been touched on. Would you like to comment?

Mr. BURKE. Maybe I could touch on that just a moment. I believe that particularly in the Bureau of Land Management and the Forest Service, too, they have provision within their rules and regulations to see that the permittee or the lessee, whatever the case may be, takes the proper care of that land that he is on. And if he does not, there are provisions in the law to take care of that situation and to give the permit to someone else.

Mr. UDALL. Yes, but my point is, you know, there are degrees of compliance. I am drunk most of the time but I barely come up to the minimum standards. I do just what has to be done to keep from having my permit canceled. Tunney on his ranch goes far beyond this. He is enthusiastic. It is the old family ranch and the Federal permit part of the ranch is treated much better than simply the minimum to keep from being canceled.

Now, if you got a chance to buy mine or his, is there some element of husbandry or personal attention there that is important that might have some bearing on the value of his permit as against my permit?

Mr. HELMING. I would say very definitely yes from the standpoint that I think we have touched on a little bit earlier, Congressman, that if Mr. Tunney takes better care of his range and his percentages and so on are better and he is doing a good job, in all likelihood as we found in our experience and was borne out by the study, his permit's going to be of higher value than yours.

Mr. UDALL. Well, this is the question I was asking because the Departments, they take the position a permit for a hundred-animal-unit months on his land and a permit for a hundred-animal-unit months on my land are identically the same. There is no element of personal attention involved.

Mr. BURKE. This is not true.

Mr. LEE. Congressman, I think I might answer that in this respect. If you are a poor husbandman on the Federal domain, you are a poor husbandman on your base property, and your base property would therefore be worthless, which would be a lowering of your permit value also because your permit value is tied directly, we feel, to the base property. If you have a real good base property, then your permit value will increase.

Mr. HELMING. I think that is a real good point. I might say that we do not subscribe as an industry to this national fee concept for this very reason.

Mr. UDALL. Well, if you are paying simply for the right to graze cattle and in each case it is the same for the same number of—

Mr. HELMING. This does not make any economic sense or rationale sense at all.

Mr. UDALL. Mr. Tudor, do you have something to add?

Mr. TUDOR. Yes. The factor of commensurability on the base property would be adversely affected by poor husbandry. And it would not, however, affect the permit value itself which refers to the preference, the preference to graze, the privilege to graze. This is what at least I see as one of the factors in permit value. This is a legal concept given to the rancher by the act of Congress or by the regulations of the Forest Service. This would not be affected. The amount of values out of which we derive the averages, this might be affected. The base property value might be affected but this other portion would only be indirectly affected.

Mr. UDALL. I understand.

Mr. Chairman, I do not want to take too much time. I do think these hearings have been helpful, and I am glad that we are having them. And I commend the chairman of the subcommittee and the staff for the way in which they have been arranged.

Mr. BARING. Thank you, Mr. Udall.

Do you gentlemen feel like the Taylor Grazing Act has been violated in the method in which these fees have been taken up?

Mr. TUDOR. Definitely yes, Mr. Chairman, I will speak for the group because this is a legal question. This is a part of the lawsuit. We bring it to the attention of the committee as a violation.

Now, we do not have to depend on the lawsuit alone. The Taylor Act specifically says that the fees shall be reasonable and shall take into account public benefits. The study itself did not take into account public benefits, nor did the Secretary of the Interior take into account public benefits. Although he may have said so subsequently, he did not do so because he relies purely on the study. But very clearly there is a discrepancy.

I might go back farther, Mr. Chairman, if I have the time, to the act of 1951, which is the underlying act, which is the sense of Congress that a fair market value should be obtained. And there you will find in the second proviso, if you have it before you, it says something to the effect that where the existing statute provides a basis for calculation of the fee, the 1951 act shall not apply.

Now, I am not going into the legal argument. It is a very tight legal argument. But it is our contention that the Taylor Act provides a basis for calculation because it provides a reasonable fee, two fees, and it provides for what you might call a discount factor relating to public benefits.

And I might add, Mr. Chairman, that Circular A-25 also provides, the Bureau of the Budget Circular in section 6 says that where there is existing statute that inhibits the application of Circular A-25, then the agency shall come to the Congress for amendment through the normal channels of clearance with the Bureau of the Budget for amendment of that legislation.

Mr. BARING. That is what I wanted to bring out, Mr. Tudor. It does make a difference then, the location of the permittees who are contacted in say Nevada, Arizona, and the drier States, it is different than those like Kansas or Iowa or other States where private lands are involved.

Mr. LEE. I think, Mr. Chairman, what we are actually purchasing is the raw material to convert to something that can be used for human consumption. And if the raw material is not out there, you cannot pay for it, because a cow in Burford's feedlot in the beautiful State of Colorado will do much better in 1 month than she will down in southern New Mexico.

Mr. BARING. Then it is very unfair to have a standard fee that hits all types of country and ranges the same.

Mr. LEE. We feel so, yes, sir.

Mr. BARING. Thank you very much.

The gentleman from Arizona.

Mr. STEIGER. Thank you, Mr. Chairman. I am very pleased that you emphasized the inequity of the fixed payment. As I indicated yesterday. I think this is probably as significant a discrepancy in this decision as is any other single discrepancy. I would like a comment on the statement that I would like to make and perhaps Mr. Burke might respond.

The Forest Service has indicated by Chief Cliff's statement yesterday that they are aware that this is going to have a big impact on the industry because they are going to phase it in over 10 years.

Now, I asked Mr. Cliff yesterday what the operator could do to adjust, and he indicated that he could adjust, and the best he could adjust was to possibly sell his operation. At least that was my inference.

Now, what was not brought out yesterday and what I would like to bring out today is that at the same time that he is adjusting that which he can sell to save his life is depreciating at a glamorous and very excessive rate. Now, the gentleman from Iowa has raised a point that I think is completely valid. He has said, and I haven't got his gift of diplomacy, he has said that there are elements in this country that would force all special users off the public lands. And I think you gentlemen recognize the validity of that statement. This is a philosophy. It is espoused by many, many responsible people. I submit that this combination of the recognition of the impact on the industry and, really, the offering of no alternative except to sell out even at a loss, validates the gentleman from Iowa's position, and I wonder if the industry is aware of this position. And I would like a comment from Mr. Burke.

Mr. BURKE. Well, what would really happen and what is happening already is of course that a good many outfits are going out of business. There are people who are coming in and purchasing some of these places for reasons other than making a livelihood out of it. In many instances most of these places in fact are intertwined and interwoven between their patent fee land and their State leases and their Federal permits whether they be BLM or Forest permits.

So when you decrease the value of one you are decreasing the value of the other because the whole premise of the ability of that outfit to

exist or to make any little bit of profit at all is the total concept of all of these elements entering into it together. So you devalue one, you devalue the other. Immediately the lending agency who is looking to finance this particular operation is seeing the value of the whole thing coming down. So the man's equity is coming down so they cannot loan as much as they could if the equity is up where it has been the last few years.

And this is one of the things that has kept a good many people in business and has allowed them to get over very difficult periods, is the increased equity that they have from the values of the whole total operation being increased.

Does this cover what you were——

Mr. ASPINALL. Will my colleague yield at that point?

Mr. STEIGER. I would be glad to yield, Mr. Chairman.

Mr. ASPINALL. They take into consideration the total, that is, the base property as well as the permit property whether it is on State or Federal, is that right?

Mr. BURKE. Yes, Mr. Chairman.

Mr. ASPINALL. Could you tell us at the present time how much of this increased value of privately owned property is being used at the present time to keep your operators in business?

Mr. STEIGER. Increasing the lending ability.

Mr. ASPINALL. Increasing the lending ability?

Mr. BURKE. Yes, increasing the lending ability.

Mr. ASPINALL. Now, do you have any idea how many of your operators are depending and have depended for years especially upon the increased value of their privately owned property in order to permit them to have a greater borrowing ability.

Mr. BURKE. This has been—it is almost all of it. It started at the time of the Taylor Grazing Act, because this is what stabilized the industry to allow the lenders to loan on these outfits, on the total outfit, because prior to that with fragmented pieces of land they had nothing really to base a good loan on. So it is entirely based on it now.

Mr. STEIGER. I thank the Chairman.

I would like to get back to this, to the point of philosophy of those that would abandon all special uses. I do not mean just grazing. I mean timber, mining, and all the other factors in the multiple use concept.

I am willing to concede the agencies did not enter into this particular phase without study, but this has been seized upon by these people as an opportunity to advance their cause, if you will.

Now, you mentioned in your response that there are people who are buying ranches for other than economic profit. And you can speak plainer than that. You mean for a tax shelter. So you have got your Government in a position of putting out of business the legitimate operator and providing a reason for the nonlegitimate operator to circumvent the will of the majority of the people.

Now, it seems to me that this is a position that the industry ought to speak loudly and clearly on, and point out that this cannot be the intent of any rational person, be he politician or bureaucrat. One of the reasons it is happening now at an accelerated rate is because of the increased grazing fees and the failure to recognize the capitalized value of the permit.

Now, these are things that the industry is going to have to face and they are going to take a lot of heat for it. And you have already taken a lot of heat for it. But it seems to me that the gentleman from Iowa has raised a very, very valid situation, that you are not just fighting for your economic life. You are fighting here for the perpetuation of public lands on a multiple use basis. And I hope that you recognize that and I am sure that you do. And I thank the Chairman for allowing me this time.

Mr. BARING. The gentleman from California.

Mr. TUNNEY. I want to thank the witnesses for having given some excellent statements. I did not, before I came to the hearing this morning, understand anything about the problem, and I feel that I am much better educated, not as well educated as I would like to be. I am particularly aware of the problem of the farmer because in California we at the present time have one-third the farmers that we did in 1950. And they are being driven out at a very rapid rate. But I would like to pursue one line of inquiry very briefly.

I understand from the statement that was made by the Farm Bureau representative that there are approximately 47,000 of these permits now out, is that correct, 47,000 permittees?

Mr. HELMING. That is roughly correct.

Mr. TUNNEY. Roughly 47,000. Well, what is the average time period for each one of these permits? How long does the permit run for?

Mr. HELMING. Yes, I would like to comment on that. The Forest Service, for example, putting together some figures as they related to the study to specifically answer your question showing some figures, the permit, the average life of the permit and so on from the standpoint of the credit that was given to this operator as it relates back to the permit. And essentially the time period was, oh, 18 to 20 years. But we have to carry that one step farther to make, to really answer your question.

Ranch loans today from a real estate standpoint, from the long-term credit standpoint is in Federal land planning and the insurance companies that are lending this money. Normally their loans are 25 to 30 years. But the condition of agriculture the way it has been ever since we can remember is getting worse all the time, and you are continually in debt. In fact, the debt equity ratio gets worse and worse and worse. So instead of repaying that loan in a 50-year period, it is a perpetual thing. You are just constantly in debt. It is a point we brought out here early, that the permit really exists in perpetuity as does the ranch and the land exist in perpetuity.

Mr. TUNNEY. Well, what percentage of the permittees are the original permittees and how many of the permittees—

Mr. HELMING. In the case of the Forest Service about 15 percent are the original permittees, 85 percent have sold or transferred it one or more times. In the case of the BLM I believe it is a third that are original permittees and two-thirds have sold or transferred their permits.

Mr. TUNNEY. Well, what percentage or premium is paid on the transfer of a permit? What would you imagine the percentage would be of the total cost of operation?

Mr. HELMING. Well, I am not sure it is correct to say that it is a premium. It is simply a matter of the value of the total asset. And under that that permit is a rancher-owned asset, that is the dollar value.

Mr. TUNNEY. Well, let's say that 33 cents is now the current price per month—

Mr. HELMING. For BLM?

Mr. TUNNEY. For BLM, yes.

Mr. TUNNEY (continuing). If I want to buy a permit, how much in addition to that 33 cents am I going to have to pay to acquire that permit, if you amortize it out for the length of the 18-year period?

Mr. HELMING. Of course, the permit—the permit is not amortized, No. 1.

Mr. TUNNEY. Well, no, but if you buy it. Let's just assume—

Mr. HELMING. Yes, if you buy that permit in the case of the BLM, you were using that as an example, on the average was \$14.50 as a total value per animal unit month. Now, if you have that permit for 12 months, you multiply that times 12. If you have it for 6 months, you multiply by 6. And of course that is the total value. And then to equate that to an annual cost you have to capitalize it at some reasonable interest.

Mr. TUNNEY. Well, now, let me ask you this. Assuming that when the period of the permit, the term came to an end through just natural causes, the 20-year term ended, would there be objection to seeing an increase at that time in the amount that would be charged per unit head?

Mr. HELMING. Well, very definitely so because the ranching business just does not stop or begin. It is a perpetual situation. In many cases, these permits or leases are 10 years in duration. But you do not just—everything does not stop at the end of 10 years. It is renewed for another 10 years again.

Mr. TUNNEY. Automatically or do you have to—

Mr. HELMING. Well, you have to apply.

Mr. TUNNEY. Yes, but I mean it is a negotiated contract, or is it open for bids?

Mr. HELMING. Well, it is a competitive thing from the standpoint of my wanting to sell mine to another rancher who has the commensurability requirements and he qualifies under the commensurability requirements. Then I am in a position to sell, transfer my permit in a competitive basis with whoever wants my ranch the worst.

Mr. TUNNEY. But say that the term for the permit is at an end now, and I am trying to get a new permit. Can you come forward and can you negotiate with the Government in opposition to my negotiations? You can do that?

Mr. TUDOR. Mr. Chairman, if I may, I think the Congressman is thinking of a legal question, and if so I would like to answer it.

What you have here is a permit value or in the permit is a preference right to graze, granted either by the statute under the Taylor Act or by the regulations of the Secretary of Agriculture going back to 1905 or 1906, the preference right. And so long as the grazing forage, or the land is available for grazing purposes, the user who has had the priority to it, grazed it in the earlier days in connection with his base property, has a right to continue using it.

Now, this right is subject to being lost for a number of reasons, administrative reasons, and when the Government needs the land. And every investor, every rancher knows that he may lose the permit.

Mr. TUNNEY. What about when the term expires? Does he automatically get a renewal?

Mr. TUDOR. It is not automatic. The term expires. He still has a preference right which is a perpetual preference right based on his prior use. If the land is available, or if the Government does not need it for some other reason, he may come in—he applies to the agency for permission to use a permit, to use it for another period of anywhere from 1 year to 10 years.

Mr. TUNNEY. But what happens if I am willing to offer more to the Government?

Mr. TUDOR. The right is created by the statute and is not negotiable; it is not a matter of negotiation. You are thinking in terms of a lease which may be negotiable.

Mr. TUNNEY. Yes.

Mr. TUDOR. But this is a permit; the right is granted by the statute to the prior user and therefore if somebody else wishes to use the land he could not obtain the right even though he offers to pay more for the use. It is not a matter for negotiation between the Secretary and a user. You are thinking in terms of perhaps competitive bidding. This is not provided for by the statute.

Mr. TUNNEY. Right.

Mr. TUDOR. The two groups of land are not operated under the competitive bid theory.

Mr. TUNNEY. And so, in other words, if you are a permittee and you purchased your permit, you have paid a certain premium for the permit above and beyond what the Government charges for the permit; is that correct?

Mr. TUDOR. You have paid to buy that priority or that preference right. That is what you have really done.

Mr. TUNNEY. Right; you have purchased the preference right.

Mr. TUDOR. Which is exhibited in the permit.

Mr. TUNNEY. And if I understand you, the preference right is going to go down if you increase the fees, and therefore there is going to be a loss of the capital asset; is that correct?

Mr. TUDOR. It will have that tendency; yes.

Mr. TUNNEY. Thank you.

Mr. TUDOR. You have to have the base property—you have to have the qualified base property in order to qualify to apply for the permit.

Mr. HELMING. Mr. Chairman, Dr. Nelson here I think can add a little bit to Mr. Tunney's question.

Mr. NIELSON. I am familiar with some cases where ranchers have bought primarily permits under Farmers Home Administration systems where this is a 40-year loan situation. So apparently they are not going by 10-year increments on the thing. They are setting up as high as 40-year loans to purchase these things. This is an indication that they plan many years in the future.

Mr. TUNNEY. Thank you very much, Mr. Chairman.

Mr. BARING. Thank you; the gentleman from Wyoming.

Mr. WOLD. Thank you, Mr. Chairman. I want to compliment the industry, too, on their splendid testimony and perseverance. I have one question I would like to ask.

The purposes of this hearing, as I understand it, are to review the impact that you feel the proposals of the Department would have on

the industry, and the impact that the implemented portion of these proposals—which amounts to 11 cents per animal-unit month on BLM land—would have. I noticed this morning that the statement was made that you feel 10 or 11 cents on BLM land is fair at this time but that the Forest Service land increases were not. I wonder if somebody would care to comment?

Mr. HELMING. Yes; I would be glad to, Congressman.

The study, simply by showing the comparison of total cost including the capitalized value of the permit at a reasonable interest charge, indicated that in the case of BLM the private costs were 10 cents higher than on public, so the 10-cent increase was justified. In the case of the Forest Service it actually showed just the opposite. Really the public costs were higher than the private costs. But certainly no fee increase was justified or established from the standpoint of the results of the study.

Mr. WOLD. Do you think the Forest permits should be increased?

Mr. HELMING. The value of the Forest permits?

Mr. WOLD. No. Should the fees on the Forest permits be increased in view of the study?

Mr. HELMING. No; we do not maintain that position.

However, if we get away, which we feel we need to very badly, from this national concept of a uniformity for everybody, there would definitely be areas where the fee would be reduced. Economically it can be established by the results of the study that the decrease is in order, but we are not holding to that position.

Mr. WOLD. In other words, you are saying that if you would stick explicitly to the formulas as they have been developed and if you put in the capitalized cost of the permits, you feel that they should be decreased to conform?

Mr. HELMING. The fee should be zero.

Mr. WOLD. On forest land?

Mr. HELMING. That's right.

Mr. WOLD. Now, we have read in the newspapers unofficial statements to the effect that some people in the Department are talking about the possibility of freezing the first year's increase until the results of the Public Land Law Review Commission are in presumably on June 30, 1970. Is that something that all of the industry is in agreement on? Would this be a good solution at the present time?

Mr. HELMING. Well, it would be helpful. It would be a step in the right direction.

Mr. HORN. We still do not agree with the formula as the Federal agencies are using it because they left out the one, one of the 15 cost items. We still maintain that the 15 cost items should all be included. And that made a 10-cent increase. We would argue over the cent, but we do want to still stand on the fact that we believe that the 15 cost items should have been considered and we cannot agree with their new phased-out fee the way it is approached.

Mr. WOLD. I understand that. But of course we would assume that possibly the Public Land Law Review Commission might come up with different formulas.

Mr. HELMING. Right. We are looking forward very much to what the Public Land Law Review Commission might come up with.

Mr. TUDOR. We are looking to the Congress for providing new guidelines to establishing fees.

Mr. HELMING. The industry would urge that this entire matter be held in abeyance beyond 1969 until all the information that is now and potentially available within the next 15 months is available to you and the U.S. Congress.

Mr. WOLD. Thank you very much, Mr. Chairman.

Mr. BARING. Thank you very much, gentlemen. The chairman of the full committee, Mr. Aspinall.

Mr. ASPINALL. I had to go out to another committee to see if we could not get some money to run this committee. That is the reason I was absent.

I wish to commend the industry representatives appearing here on a national level in their own interest and those whom they represent. I only have three questions which should not take too long.

Are there any permits at the present time on forest or Bureau of Land Management lands which are unspoken for, which are not held? Does anyone know the answer to this one?

Mr. TUDOR. Perhaps I can answer that on the basis of my experience in the Department.

I would not be aware that there are permits as such. It may well be true that there are areas in which the forage capacity is available and not being utilized. That may well be true. But generally from areas where the industry had been going on for some time the demand actually in many respects, the qualified, what we call the qualified demand may be larger than the grazing capacity. And it has been reduced constantly.

Mr. ASPINALL. Do you have any idea what percentage of the permits that are held at the present time are not being used to the fullest extent for the grazing purposes for which they were originally intended but are used more or less as a domain for some individual who has a desire to have a hunting ground or a recreational area, and so forth?

Mr. TUDOR. Again, Mr. Chairman, on my close contact with this area, if you are referring to nonuse—of course this is really a question that the agencies should be answering, but I am thinking in terms of my representation at that time.

If you are thinking in terms of nonuse, the Department of the Interior or the Bureau of Land Management squeezed out a good deal of that nonuse during the 1950's. And the regulations do provide that if you do not use the grazing capacity as permitted, as authorized, you may lose it. If you do not use it for 2 years, I think, you will lose it, unless it is authorized. But the general, what you call the general nonuse which you are thinking of in terms of a reserve has pretty well I believe been squeezed out. At least this was a program of the agency.

Mr. ASPINALL. Has anybody in your group made any suggestion at all as to what will happen to county government in some of our western counties if there should happen to be refusal to go along with the permit system?

Mr. NIELSON. In my studies on the impacts of this I—

Mr. ASPINALL. Is that in the record yet? Do we have it in the record?

Mr. NIELSON. I am not sure.

Mr. HELMING. We would like to submit the study itself for the record.

Mr. ASPINALL. Mr. Chairman, I would ask unanimous consent that this study be placed in the file.

Mr. BARING. Without objection, so ordered.

Mr. ASPINALL. Now, I want one of you gentlemen to briefly, and I mean briefly because we only have a few more minutes, and we would like to get to at least one and perhaps two other witnesses, briefly explain to me the progression of the determination of grazing fees on forest land from the beginning, the reliance upon advisory councils and on Bureau of Land Management for cooperation and aid in determination of the fees. If you cannot do that very quickly, who will take it upon themselves—

Mr. TUDOR. Let me stick my neck out, Mr. Chairman, and say to you, because this has been very much on my mind in connection with the section 15 grazing regulations relating to acts with which you are familiar, what has been called an advisory board or advisory council in the recent months, recent years, has really become an affirmatory or confirmatory or ratification board. If the agency, if the council or the board, the advisory board comes up with a recommendation that the agency, that confirms what the agency has decided to do, it is accepted. If the advice is not in conformity with what the agency has already decided to do, it is not accepted. As far as I am concerned, the advisory board system is being misused.

Mr. ASPINALL. Is there an opportunity and perhaps some instances where the board has been loaded in order to give the decision favorably to the administrative agency.

Mr. TUDOR. I have no comment on that, Mr. Chairman.

Mr. ASPINALL. No comment. Would you, Mr. Tudor, prepare for us a statement to show how the fee system has developed in each one of these agencies of government from the beginning up to the present time so that we can have in one place in our hearing how the fees have been determined and where the changes have been made?

Mr. TUDOR. Would that not be rather from the agency? It would seem to me—

Mr. ASPINALL. No, I would rather it from you.

Mr. TUDOR. OK, sir, I will do my best.

Mr. ASPINALL. I know that it is a little bit of a burden but I would like to have it.

Mr. TUDOR. I will do my best.

Mr. ASPINALL. We will get it from the agencies, too, as far as that is concerned.

Thank you very much.

(Information submitted follows:)

PUBLIC LANDS COUNCIL,
Washington, D.C., March 27, 1969.

HON. WALTER S. BARING,
Chairman, Public Lands Subcommittee,
House of Representatives, Washington, D.C.

DEAR MR. BARING: At the recent grazing fee hearings, Chairman Aspinall requested that a concise statement be presented showing how the fee system had developed in the Forest Service and in the Bureau of Land Management, from the beginning to the present, indicating how the fees have been determined.

The historic perspective may be relevant to understanding the grazing fee issue. The western livestock industry was born in the period during and following the

Civil War. In the decade 1860-1870, and after, numerous mining camps sprang up throughout the west; railroads were being pushed across the plains, and numerous Army posts were being established to control hostile Indian tribes. These miners, soldiers, workmen and adventurers who accompanied them required livestock for transportation and hauling purposes; they also required meat for food. It was in response to these needs that the western livestock industry began its phenomenal growth northward and westward from Texas. Grass there was in quantity; all one needed was a headquarters ranch and a ready source of water. Public lands with considerable forage resources lay open to use as a great "grazing common."

Prior to the Organic Act of 1897 for forest reserves, and before the Taylor Act of 1934 for public domain, the public lands were open to the free use of individual members of the public. In these interim years, ranching units embracing public and private lands were being created and established as productive economic operations through the initiative, energy and financial investment of pioneering ranchers and settlers. In time local custom and local laws gave these ranching units recognition and protection against all parties, except, of course, the federal government and those claiming through the federal government. The Congress was fully aware that the public lands were being used, generally without federal sanction, control or restraint, and without compensation to the government for the use of its property.

Although, from time to time, before the turn of the century, various legislative proposals were introduced to bring grazing use under administration, no legislation was passed to accomplish this purpose. It is not entirely accurate to say that the livestock business arose out of trespass activity, as has sometimes been said. A more apt appraisal of the situation at that time was given by the Supreme Court in *Buford v. Houtz* (133 U.S. 320) to the effect that "there is an implied license, growing out of the custom of a hundred years" that the public lands of the United States were open and free to the people who sought to use them beneficially for the purpose of grazing livestock, so long as the government did not forbid such use. Clearly then this was the prevailing national policy.

NATIONAL FORESTS

Ranchers, settlers and itinerant stockmen grazed their livestock on the public domain, and later the forest reserves, free of charge and without control, before 1900. After passage of the Organic Act of 1897, the Interior Department required a permit for grazing on the forest reserves but still no fees were charged. In 1905 administration of the forest reserves was transferred to the newly named Forest Service in the Department of Agriculture, and Secretary's Regulations were issued that called for payment of a fee for the privilege of grazing. Fees charged by the Forest Service for livestock grazing are based on administrative regulation rather than statute. Prior use was given recognition as a preference in the award of grazing privileges.

Fees were first charged for grazing livestock on the National Forests in 1906. By the Secretary's regulation, the Chief of the Forest Service was authorized to determine the fair compensation to be charged for grazing on the National Forests, under such system as he found to be proper. From the very beginning, the principle of a "reasonable fee" was established and employed in fee setting. Fees were increased gradually over the next 15 to 20 years.

Between 1931 and 1968 grazing fees were related to a base structure derived from a 4-year study (the so-called Rachford Appraisal), conducted during the 1920's. Base fees were established in 1931 following an analysis of rental rates on several million acres of privately owned rangeland and determination of grazing values on comparable National Forest grazing allotments. A variable fee system existed. Differences in the location of allotments, grazing capacity, forage quality, and other factors resulted in the establishment of a large number of base fees, varying from forest to forest and from area to area. Annual fees were derived each year by use of formulas which adjusted fees from the base according to the difference between current average livestock prices in the 11 western states and an established set of livestock prices for cattle or sheep for the particular forest or area. If the price of livestock went up, fees went up; the reverse trend was equally true.

On National Grasslands and LU projects, also administered by the Forest Service, a variable fee system was established in a manner similar to that used

for establishing base fees for the National Forests. The base took into consideration factors relating to the value of the grazing privilege granted, including costs of required management and conservation practices above those usually performed by livestock operators on private leases. Studies in the late 1940's helped establish base value determinations; the base livestock price was related to the average price for livestock received by producers in the 15 western states for the base period 1937-1946. Current fees were derived annually by a formula similar to that for National Forests which adjusted fees from base values according to the relationship between current and base cattle prices.

In 1968, according to reports, there were 187 fee base areas for cattle and 166 such areas for sheep, each with its separate fee. In 1965, for example, fee levels for cattle on National Forests ranged from 10 cents to about \$1.50 per A.U.M., with the average fee on the western National Forests approximately 42 cents per A.U.M. On the National Grasslands, for 1965, the average fee was 73 cents an A.U.M., undoubtedly higher because of the higher quality of the forage. Annual receipts from grazing use on Forest Service lands approximate \$4 million a year. Twenty-five percent of these receipts are eventually distributed to the counties from which derived, for the support of local schools and roads.

GRAZING DISTRICTS

From its very beginning in 1934, the Taylor Act established the principle of "reasonable fees" in the statute itself. The Secretary of the Interior is directed by the Act to charge reasonable fees which take into consideration the public benefits accruing from the establishment of grazing districts. No grazing fees were charged during the first year, 1935, because of administrative delay, although temporary licenses were issued in the then established districts. The first grazing fee for use of grazing district lands was established in 1936 at 5 cents per A.U.M. This was a compromise between the 10 cents an A.U.M. proposed by the Department and the no-fee contention of certain opposing stockmen who felt that the earlier free grazing system had been incorporated into the taxable value of their base property. Other stockmen indicated the lower fee was justified by the prevailing low prices for cattle and by the type of left-over and arid lands being used for grazing. The Secretary's expressed intent to keep administrative costs under the Act at the lowest possible level no doubt also played a part in his acceptance of the initial 5-cent fee basis.

The flat rate of 5 cents an A.U.M. prevailed from 1936 through 1946. Growing costs of administration during this period and increasing political pressures made necessary a re-assessment of the fee level. Controversy arose not only between permittees and the Department but between Congressional committees, such as the Appropriations and the Interior Affairs Committees. As one result of this controversy, the Grazing Service, in July 1946, was merged with the General Land Office into a new Bureau of Land Management. Thereafter, the Secretary of the Interior appointed Rex Nicholson, a cattleman, as a consultant to study and make recommendations on the organization and staffing of the new bureau as well as on the grazing fees problem.

The "Nicholson Report" recommended that grazing fees be based on the stockmen's share of costs of administering the public lands. He recommended raising the total fee to 8 cents per A.U.M., with 6 cents being the forage fee, and the other 2 cents a fee for range improvement (R.I.) purposes. The Secretary accepted this recommendation and an 8-cent fee was charged from July 1947 through 1950. It was also necessary to have Section 3 of the Taylor Act amended in 1947 to provide for the public benefit and range improvement fee factors.

In 1950 the National Advisory Board Council, acceding to growing pressures, recommended an increase from 8 cents to 12 cents an A.U.M. with 2 cents continuing as the range improvement fee. The 12 cents fee was in effect from 1951 through 1954.

The "cost of administration" criterion had slowly but relentlessly been eroded away in the intervening years, but controversy and complaint had continued to grow. A new basis for grazing fees was sought, one that would be mutually acceptable and fairer to the government and to the rancher-users of the public lands. In 1954 the N.A.B.C. recommended a new fee basis, varying with livestock prices somewhat like that long used by the Forest Service. The result was the fee formula system by which the total fee is 100% of the average of the previous year's prices per pound for beef and lamb on the markets of the 11 western states

as reported by Agriculture's Marketing Service. A 2-cent variable adjustment factor was built into the formula to avoid short-swing price variations. Thus the fees were related to rancher income and fluctuated, with a one-year lag, with the income derived from ranching operation. Of the total fee, 67% was for the grazing resource and 33% for range improvement purposes. Ranchers felt they could live with this formula precisely because it was based on livestock prices and because they could anticipate the fee costs in making their financial arrangements for the year's operations.

Fees based on the new average price formula were not actually placed into operation until 1958. During 1955, 1956 and 1957 the total fee was set by the Department at 15 cents an A.U.M. as a transition between the old 12 cents fee and that under the market price formula, in part because drought in the south-western states at that time and the resultant distress to ranchers made postponement of the full rate desirable in the Secretary's discretion. Beginning in 1958 the fee, based on the average of the previous year's livestock prices per pound, was set at 19 cents an A.U.M. In 1959, due to sufficiently higher livestock prices in 1958 the fee went up to 22 cents, and stayed there through 1960. With a declining market, the fee fell again to 19 cents in 1961 and 1962.

In 1962 the Secretary informed permittees that grazing fees were again under review and that pressures from Congress and the Executive for more grazing revenues were mounting. The Secretary proposed a change whereby the percentage factor in the fee formula was to be changed from 100% to 150% of the average price of beef and lamb in the 11 western states. The ranchers protested the anticipated substantial jump in fee costs and because the upper limits were open-ended with no apparent ceiling to percentage increases. As a result of the vigorous reaction of the industry a hearing was held in 1962-1963 by the Senate Public Lands Subcommittee under Senator Bible. Notwithstanding the pendency of these Congressional hearings, Secretary Udall, early in 1963 by regulation adopted the new fee basis. The upward adjustment in the percentage factor resulted in a substantial increase in the fee, which rose from 19 cents in 1962 to 30 cents for 1963. The fee remained at 30 cents per A.U.M. during 1964 and 1965. In 1966 improved cattle prices advanced sufficiently (the 2-cent variable factor) to place the fee at 33 cents where it remained during 1967 and 1968.

And now, beginning with the current grazing year, under the new formula derived from the controversial 1966 Western Livestock Grazing Survey, the fee for 1969 is 44 cents an A.U.M. on B.L.M. lands, with annual increments of not less than 9 cents per A.U.M. each year until 1978 when the new base of \$1.23 per A.U.M. will have been reached. This new base of \$1.23 is almost 25 times the initial 5-cent fee of 1936. From the ranchers' viewpoint this increase is hazardous and a threat to their business survival because cattle prices received by the producer have made relatively insignificant advances while at the same time other costs of operation have continued to climb upward.

A summary table showing the history of grazing on B.L.M. lands is attached. I trust this presentation is responsive to the Committee's request.

Sincerely,

JOSEPH H. TUDOR,
General Counsel.

Year	Rate \$ per AUM	Basis	Allocation of revenues
1936-46.....	0.05	Cost of administration.....	50 percent to States; 25 percent to range improvements (R.I.).
1947-50.....	.08	Nicholson plan.....	6 cents grazing fee, 12½ percent to States; 2 cents R.I. fee.
1951-54.....	.12	Reasonable fee by negotiation with livestock industry.	10 cents grazing fee, 12½ percent to States; 2 cents R.I. fee.
1955-57.....	.15	Transition period and drought. Delay in new formula.	75 percent grazing fee, 12½ percent to States; 25 percent R.I. fee.
1958.....	.19	100 percent livestock price formula.....	75 percent grazing fee, 12½ percent to States; 25 percent R.I. fee.
1959-60.....	.22	100 percent livestock price formula, increase.	75 percent grazing fee, 12½ percent to States; 25 percent R.I. fee.
1961-62.....	.19	100 percent livestock price formula, decrease.	75 percent grazing fee, 12½ percent to States; 25 percent R.I. fee.
1963-65.....	.30	150 percent livestock price formula.....	¾ grazing fee, 12½ percent to States; ¼ R.I. fee.
1966-68.....	.33	150 percent livestock price formula, increase.	¾ grazing fee, 12½ percent to States; ¼ R.I. fee.
1969-78 ¹			

¹ From 44 cents to \$1.23 an animal unit month in annual increments based on 1966 western livestock grazing survey.

Mr. BARING. Thank you, gentlemen.

Our next witness is Ray Obrecht, Master, Colorado State Grange.

Mr. ASPINALL. Mr. Chairman, in view of the time limitations, it might be wise if the witnesses would shorten their statements and make room for questioning by the committee.

I am glad to have my representative of the grange from Colorado with us this morning.

STATEMENT OF RAY OBRECHT, MASTER, COLORADO STATE GRANGE

Mr. OBRECHT. Mr. Chairman, members of the committee, it is a pleasure to be here before you.

I think it is beginning to sound like a broken record. My testimony is very similar. We do have the same facts, so I will not go into them.

I would like to make one statement that I didn't put in my statement, and that is projecting ahead for 10 years, to increase down the line 10 years. Supposing that we would have a depression or something and go the other way. I can't see any justification.

I think that that is all I would like to say.

Mr. ASPINALL. Well, Mr. Chairman, this is very good. And you understand, Mr. Obrecht, that this projected 10-year program does not permit for the determining of fees downward.

Mr. OBRECHT. That's right.

Mr. ASPINALL. You have one other remark in your statement, that has to do with young people.

Mr. OBRECHT. Yes. In the grange we have many young people on the Western Slope that have bought ranches, and if this fee increase goes into effect the older people can hang on, but these young people are just absolutely going to be driven off their ranches. And we do hope that you will consider this.

Thank you very much.

Mr. BARING. Thank you very much, Mr. Obrecht.

(The complete prepared statement of Mr. Obrecht, above-referred, follows:)

STATEMENT OF RAY OBRECHT, MASTER, COLORADO STATE GRANGE, ELBERT, COLO.

This is a statement in behalf of the members of the Colorado State Grange who use grazing permits on B.L.M. lands and National Forest, most of whom are also members of cattlemen's and Sheepmen's organizations.

I know you are aware of the condition of the sheep industry in these United States, and that we are now down to producing around half of our consumptive use of sheep and wool simply because of net return.

I am sure you are aware of the condition which makes it almost impossible for a young rancher, or farmer for that matter, to get into ranching unless he inherits or marries his holdings, and this does not solve his problem usually, because of inheritance tax, estate settlement, etc.

I just wish you could take a few days to visit some of the young folks in Colorado, and see for yourself. I would be glad to take you on such a tour.

It is at a time like this that an extensive increase in grazing fees is being placed on users of B.L.M. and Forest lands, and unless the sole intent is to drive the sheep and cattle men off the public lands, it is hard to comprehend the justification.

The Cattle and Sheep men cooperated in a study in 1966, to establish a sound and economic basis and equitable comparison of *total* grazing costs for running cattle and sheep on private vs. public land, and the Statistical Reporting Service compiled the information.

This survey indicated that on B.L.M. land a 10 cent per AUM increase in grazing fee was justified when *all* costs are considered, and now the Secretary has chosen to ignore this capitalization of the value of a grazing permit into the total ranch operation.

What I am saying is that these permits assist in acquiring short, intermediate or long term loans because of economic unit. Also an extensive study is being completed by the Public Land Law Review Commission and these results should be considered before increases of the magnitude proposed are even considered.

I do believe livestock men want a fair and just fee, and certainly compliment your committee in allowing for these hearings. I also know how many facts and statistics have been placed in your hands, and I will not duplicate.

We believe a common sense approach as well as statistics should be considered. You do not kick a man when he is down.

The Colorado Grange believes there is also another answer to this problem, and that is to give the producer the right to control his own production collectively, and set his selling price, as every other business does. Then he could simply add fee increases and tax increases, labor, etc.

Projecting the amount of the fee 10 years in advance, surely points up the lack of responsibility or justification for this fee increase, in this changing world of ours.

Congress has authorized a study by the Land Law Review Commission, which will cost millions of dollars. We recommend that Congress rescind these grazing fee increases for a year, until the study is completed.

Mr. BARING. Next will be DeLloyd Satterthwaite, president of the Nevada Woolgrowers Association, and he will be accompanied by Vernon Dalton, vice president of Nevada Cattlemen's Association.

Mr. Satterthwaite is speaking for John Carpenter, committee member of the Nevada State Central Committee of the Nevada Grazing Boards.

I want to welcome both of my constituents to the committee here this morning. You have 7 minutes, and as the Chairman said a minute ago, if you could condense it so that we could ask questions, it will help.

STATEMENT OF DeLOYD SATTERTHWAITE, PRESIDENT, NEVADA WOOLGROWERS ASSOCIATION; ACCOMPANIED BY VERNON DALTON, VICE PRESIDENT, NEVADA STATE CATTLE ASSOCIATION

Mr. SATTERTHWAITE. We sure will. Thank you.

Mr. Chairman and members of the committee, we have condensed, but we ask that it be fully accepted into the record.

Ranchers and their communities and States in all Western States will suffer a serious negative economic impact as a result of the fee increase and fee formula now being applied by the agencies.

The agency figures indicate that in Nevada there are 2,125,658 AUM's administered by the Bureau of Land Management upon which this fee will be paid. Nevada ranchers will thereby suffer an increase in cost of doing business of about \$2 million after this fee is in full effect without any offsetting increase in the income with which to pay this added cost. The only source of income for an operating rancher to pay his costs of doing business is his livestock. He finances his business based upon the number of livestock he will be able to graze.

Studies have shown that a successful rancher can expect about a 2-percent return on his capital investment, including investments in range permits. Most ranchers are not now realizing this return, and yet they are faced with inflationary increases in costs of labor, machinery, equipment, feeds, capital improvements, grazing fees, and other costs of operation, without having any means of increasing their income.

In Nevada, the Bureau of Land Management and U.S. Forest Service, freeze the ranchers' income by specifying the number of livestock a rancher can graze each year. When these agencies increase the cost of doing business by raising grazing fees, they do not, at the same time, permit more livestock to be grazed so that the grazer can produce the added funds to meet the increased cost.

This industry cannot economically stand the inconsistent policies of these agencies, controlling and freezing income at one level, and increasing the cost of business at the same time.

The annual number of animal unit month's required by meat animals in Nevada is 7.9 million. Forage from lands managed by the Bureau of Land Management provides 53 percent of the total range forage requirements. Forest Service lands supply only 6 percent of the total, while private and other sources provide 41 percent of the total range forage.

The report states:

It is interesting to note that in the last five years the number of AUM's available from BLM land has decreased about 30 percent while those on private and other sources have increased by about 177 percent.

These figures clearly reflect the effect of adverse agency policies and show that the rancher is a better range conservationist and manager than the managing agencies.

The Nevada ranches are primarily family-operated ranches. The increased cost of business resulting from this fee increase will have to come out of the rancher's portion of the income that is used to support and educate his family. By economically crippling the ranching family, you preclude young people from taking an interest in ranching and staying in the family livestock business.

The Government policies are instilling in the young people a lack of confidence in the integrity of Government administration and in the future of the livestock industry, adding to the problem of the movement of young people from rural to urban areas.

It can be easily noted in the industry nowadays that there are very few young people that take over the livestock position. And this indicates, especially in the State of Nevada, where the average rancher's salary for the year is \$5,800, a young man is not very attracted to this industry at all.

The drain of over \$2 million from the Nevada ranchers for grazing fees will have side effects to the economy of the State of Nevada amounting to a loss of approximately \$8 million per year. According to the University of Nevada, a Renewable Resource Center report of January 1969, in 1967 the meat animal industry in Nevada generated \$77.4 million into the Nevada economy and big game hunting contributed an estimated \$4.6 million.

This report concludes that livestock is contributing about 17 times more to the economy of Nevada than big game, and is using less than six times as much range forage to do it. There will be the further loss to ranchers and State resulting from the raise in grazing fees on the approximately 500,000 animal unit month's of grazing privileges used in the National Forests.

In addition to the increased cost of business costs, the current holders of permits will lose an average of \$14 per animal unit month in-

vested in BLM permits and an average of \$25 per animal unit month invested in U.S. Forest Service permits. This means that Nevada ranchers will lose approximately \$32 million in capital assets.

The impact on the economy of the State of Nevada and its ranchers will be proportionately more damaging than in the State of Utah and other Western States. Approximately 87 percent of the land in the State of Nevada is federally owned. Over 47 million acres of federally owned land in the State of Nevada is administered by the BLM as compared with over 24 million acres in Utah.

Alaska is the only State in the Nation which has more Federal land ownership within its boundaries than the State of Nevada. About 10 percent of all federally owned land administered by the Bureau of Land Management in the entire Nation is in Nevada, if Alaska is considered, and if Alaska is not considered, Nevada has 26 percent of all federally owned lands administered by the Bureau of Land Management.

The real property taxes paid by the ranchers in the State of Nevada constitute an essential financing element for the State, county, and city governments. When action is taken to severely decrease the market value of ranching properties, such as the present fee increase will do, it has a drastic and serious reducing effect on the amount of tax revenues available to the State, county, and cities for them to carry on their programs and services.

During the past few years, important improvements have been commenced on the Federal ranges in the form of improved forage through seedings, brush clearings, and control of poisonous plants, and other developments, the improvement and construction of access roads providing access to areas previously inaccessible.

For the most part it has been the ranchers who have made the privately financed contributions to the improvements on Federal lands. Approximately 30 percent of the \$14 million in range improvements that have been put on the Federal grazing ranges in Nevada, have been paid for by the ranchers from private funds which would amount to \$4,200,000. The balance of the funds have been provided by the agencies.

These improvements, even though financed in part by private funds contributed by the rancher, have been of benefit to, and utilized by, not only the ranchers and their livestock, but by recreationists and other members of the public, and by wildlife and upland game.

In many areas, privately owned feed and water supplies make up 70 to 80 percent of the forage required to sustain wildlife. The recreationists and other members of the public are enjoying not only the range improvements on Federal ranges being made by the ranchers, but also the benefits of the ranchers' private lands and waters without paying fees for the use or contributing to the improvement or conservation of these privately owned lands.

The Congress of the United States, in looking to the future, should be requiring the agencies involved in this fee increase dispute to stabilize the livestock industry; to increase rather than decrease food and fiber production; to initiate policies and programs that will economically strengthen, rather than weaken, the livestock industry; to encourage and assist the livestock industry in its efforts to conserve, improve, and harvest the forage resources on the Federal lands. These

can all be accomplished within the multiple-use concept in such a fashion as to meet and satisfy the needs of the recreationists, the livestock industry, and other range users.

The agencies involved in this fee dispute have refused to recognize the economic reality, that permits to graze on the public lands have taken on values over and above the grazing fees. The Nielsen study reflects that the permit values, which are owned by the ranchers and bought and sold in the market, are recognized as a legitimate cost of ranching today. These values have built up because of the policies, and rules and regulations of these managing agencies.

We might bring in an example at this time.

When this type of permit purchase is made, the rancher is not buying the Federal lands. He is paying the seller of the grazing permit not to put the seller's livestock on the Federal lands. An example of this would be trucking business A purchasing trucking business B, which has Interstate Commerce Commission operating rights and thereby acquiring certain trucking routes and operating rights to the exclusion of the seller. These operating rights are issued and controlled by the proper agency, and because they are issued on a limited basis for prescribed routes or areas, they develop value which is bought and sold with businesses.

There is, however, no contention by the issuing agency that operating rights grant any proprietary rights in the Federal highways.

The same example would be applied to the purchase by one airline of another airline and its certified air routes. There is no contention that there is danger of giving the airline a proprietary interest in the air space.

We respectfully urge Congress to immediately take such action as is proper to rescind the grazing fee increase now being put into effect; to defer all further changes in grazing fees until Congress has had an opportunity to review the findings and report of its Public Land Law Review Commission and to act thereon.

Thank you very much.

(The complete prepared statement of Mr. Satterthwaite, above-referred to, follows:)

JOINT STATEMENT OF THE NEVADA STATE CENTRAL COMMITTEE OF THE NEVADA GRAZING BOARD, THE NEVADA STATE CATTLE ASSOCIATION, THE NEVADA WOOLGROWERS ASSOCIATION AND THE NEVADA STATE FARM BUREAU, SUBMITTED BY DELOYD SATTERTHWAITE

Mr. Chairman and Members of the Subcommittee.

The following is a joint statement of the Nevada State Central Committee of the Nevada Grazing Boards, the Nevada State Cattle Association, the Nevada Woolgrowers Association and the Nevada State Farm Bureau. The statement on behalf of these organizations will be made by DeLloyd Satterthwaite, a member of the Nevada State Central Committee.

These organizations are represented in these proceedings by the following:

1. John C. Carpenter, Jr., of Elko, Nevada, represents the Central Committee. He has been in the livestock industry all of his life and is continuing a family ranching business that has continued in Nevada for over 50 years. He has several sons who hope to continue in the business. They ranch under the family name of Magnuson Ranches with headquarters in Elko, Nevada. John is presently serving as a member of the Advisory Boards of the Bureau of Land Management in the Elko, Battle Mountain and Carson City, Nevada Districts; as a member of the Nevada State Central Committee of the Nevada Grazing Boards, representing the Battle Mountain, Nevada Grazing District; as Chairman of the Nevada

Multiple Use Advisory Board; and as a director of the Elko Chamber of Commerce. He has served as the past representative of the Nevada State Woolgrowers on the Nevada Land Law Review Commission; as a past president of the Nevada Woolgrowers Association; and as an Elko County Commissioner.

2. Vernon Dalton represents the Nevada State Cattle Association as its Vice President. He resides on his ranch in Clover Valley and has been in the ranching industry in Nevada since 1952. He is President of the Wells Rural Electric Company and has served on its Board of Directors since its inception; he is past President of the Clover Valley Soil Conservation District; in 1968, he was recognized as the Outstanding Young Farmer in the State of Nevada.

3. DeLoyd Satterthwaite of Tuscarora, Nevada, represents the Nevada Woolgrowers Association as its President. Mr. Satterthwaite has been raised in a sheep producing family. He has served as Vice President and as a Director of the Nevada Woolgrowers Association. He is on the Board of Directors of the Nevada State Marketing Commission; he is a member of the Nevada Agriculture Livestock Council and just recently he was appointed by Governor Laxalt of the State of Nevada to the Advisory Board of the Nevada State Labor Department.

4. Robert Thomas, represents the Nevada State Farm Bureau and is the immediate past president of that organization. Mr. Thomas was born and raised on a livestock ranch in California. In 1957, he moved to Nevada and has owned and operated a cattle ranch in Paradise Valley, Nevada since that time. He is a member of the Natural Resources Committee of the American Farm Bureau of Federation; a member of the Nevada Public Land Review Committee and a member of the American Farm Bureau Livestock Committee.

Statements on behalf of the Nevada State Legislature and the County of Elko will be presented by:

1. Assemblyman Norman Glaser who will speak on behalf of the Nevada State Legislature. He is serving in the current session of the Legislature and has served previously as Speaker of the Assembly and Chairman of the Ways and Means Committee. Assemblyman Glaser was raised in the ranching business. His family has a continuous history of 100 years of ranching in the Elko County, Nevada area. Mr. Glaser is past president of the Nevada State Farm Bureau; past chairman of the American Farm Bureau National Livestock Commission and is now serving as a member of the Advisory Committee of the School of Agriculture of the State of Nevada.

2. Eyer H. Boies, Elko County Commissioner, will speak on behalf of the County of Elko, Nevada. Mr. Boies resides on the family ranch near Contact, Nevada and serves as President and General Manager of the Boies Ranches. He is a lifetime cattleman of Elko County, Nevada as were his father and grandfather before him. He is a director and member of the Executive Board of the Nevada State Cattle Association; a director and member of the Executive Committee of the North Salt Lake Producers Marketing Association. He has served as Vice President of the Nevada State Cattle Association; as a member of the Nevada Agriculture Stabilization and Conservation Committee; as an elected member of the Board of Regents of the University of Nevada; as a member of the Columbia River Basin Compact Commission; and as a director of the Wells Rural Electric Company.

The organizations presenting this statement strongly oppose the grazing fee increase now being implemented by the Department of Agriculture and the Department of Interior. Although we oppose the present fee increase we wish it clearly understood that these organizations and the Nevada Livestock people do not object to paying a fair, reasonable forage fee based upon the reasonable market value of the forage that is actually available for use from area to area. To us the questions before us at this time are: what is a reasonable forage fee; what formula should be used to determine fees from time to time; and when should any fee changes, if any, be made.

In our opposition to the present fee increase we endorse and support the positions the Public Lands Council, the American National Cattle Association, the National Woolgrowers Association and the American Farm Bureau Federation have taken regarding grazing fees and this increase.

In an effort to avoid as much duplication of testimony in these hearings as possible we will, as the official spokesmen of the livestock industry of Nevada, attempt to limit our presentation to the impact of the impending fee increases on the Livestock Industry in Nevada.

We object to these fee increases for the following reasons:

1. These increases are not timely. The present increase involves a ten (10) year program and a fee formula which could conflict with recommendations that may be made by the Public Land Law Review Commission. We suggest that there should be no grazing fee increases or changes in the formula for determining fees until Congress has had the opportunity to study and act on the study that will be filed by the Public Land Law Review Commission. A portion of that Commission's study will be directed to grazing fees. The Commission has conducted extensive hearings, contracted various studies and invested a great deal of time and taxpayers' funds in its study. It would seem to be an extravagant waste of the valuable time of the capable men on that commission and of the taxpayers' money to compromise their study and recommendations before they are ever issued. Also, litigation of the legal issues involved in the fee formula and the fee increase is now pending in the United States District Courts in the State of New Mexico and State of Utah. Should this litigation establish that the fee formula and increase is improper the taxpayers would be put to unnecessary large expense as the result of the administrative costs that will be incurred in the necessary refunding of invalid grazing fees paid in advance of this court determination.

2. The interested agencies did not apply a fair, equitable or legal formula in determining the grazing fees. At the request of the interested agencies and the livestock industry, the Statistical Reporting Service, USDA, in 1966, at a cost to the taxpayers of about \$900,000.00, conducted a comprehensive grazing fee study in cooperation with the livestock industry. The livestock industry cooperated in this study and provided the operating and budgetary information necessary to complete the study as the result of the representations of interested agencies that they would accept the results of this SRS Study. This study included cost data pertaining to 15 nonfee cost items, as delineated in Tables I and II of the 1966 SRS Grazing Fee Study which were to be used as a basis for the determination of a new grazing fee structure and formula. These cost items included the capitalized value of the Federal grazing permit as a cost of doing business in the livestock industry. The interested agencies, in establishing the present fee increase, violated their representations to the livestock industry and took the study piecemeal, taking from the study only those portions that were favorable to the agency administration and omitting the cost items that were critical to survival of the livestock industry. These agencies refused to recognize that the dollar value of the Federal Grazing Permit and its economic importance are attributes of the required base property and thus the capitalized value is part of the cost of doing business relative to running livestock on Federal lands. It is this refusal on the part of the agencies to permit capitalization of these values as a cost of business in arriving at a grazing fee that has compelled the livestock industry to unite in its strenuous and firm opposition to the present fee increase in an effort to survive. A letter of January 13, 1969, from the Under-Secretary of Interior to the Honorable Wayne N. Aspinall, Chairman, Committee on Interior and Insular Affairs of the House of Representatives stated the following:

"The basic issue involved in the comments concerns the marketable values attached to the grazing permit. The majority of the livestockmen argue that an annual interest on this value should be recognized as a cost of doing business in the appraisal technique.

"We have not included this factor in the fee formula for one important and far-reaching reason. To do so would recognize a proprietary interest in the public lands. The Taylor Grazing Act is clear in this regard and it is beyond purview of this Department to authorize such an interest in the public lands."

Section 3 of the Taylor Grazing Act (43 USC § 315b), authorizes the Secretary of Interior to issue permits to graze livestock "upon the payment annually of reasonable fees in each case to be fixed or determined from time to time, and in fixing the amount of such fees the Secretary of Interior shall take into account the extent to which such districts yield public benefits over and above those accruing to the users of the forage resources for livestock purposes."

This same section concludes as follows: "So far as consistent with the purposes and provisions of this Act, *grazing privileges recognized and acknowledged shall be adequately safeguarded*, but the creation of a grazing district or the issuance of a permit pursuant to the provisions of this Act shall not create any right, title, interest, or estate in or to the lands." [Emphasis supplied.]

We respectfully submit that the Secretary of the Department of Interior has violated his duty under the Taylor Act to establish a "*reasonable fee*" and to *safeguard recognized grazing privileges*. The SRS Report includes capitalization of permit value as a cost of business. The Secretary arbitrarily threw out that factor for the one reason that to include it would recognize a proprietary interest in the public lands. The Taylor Act provides in the above quoted portion that no proprietary interests shall be created in public lands by the issuance of a permit to graze. The setting and payment of grazing fees incidental to issuance of a grazing permit is simply part of the permit procedure and certainly could not be construed as granting proprietary rights in light of the language of the Act.

There are many court decisions which announce the principle that a person cannot acquire an adverse proprietary interest in public lands—no ownership is acquired unless it is expressly and clearly granted by act of the Government.

The agencies concern, although unfounded, could be easily eliminated by an amendment to their rules and regulations or by a simple act of Congress providing that no proprietary interests will be granted by the use in the grazing fee formula of a capitalized permit value cost item or other cost items. It has been the experience of the livestock industry that the agencies have been rather quick and prolific in making rule and regulation changes when it was to their advantage. They have had ample time to implement the SRS Study into their fee regulations, but have failed to do so and as a result they have involved Congress, the livestock industry and the agencies and countless Government employees in these time consuming and expensive proceedings. The money that will be spent by the ranchers and Federal Government in these fee disputes could have been better spent in making range improvements. The livestock industry is on record as being willing to accept the SRS Grazing Fee Study if all cost items, including the cost of capitalizing permit value, are given proper consideration for the determination of a new grazing fee structure and formula. However, the interested agencies have broken faith with the livestock industry and should not be permitted to arbitrarily impose this excessive, unreasonable and illegal fee increase and fee formula which will only result in irreparable damage to the livestock industry and to the public interest in general, contrary to the intent and provisions of the Taylor Grazing Act.

3. Ranchers and their communities and states in all Western States will suffer a serious negative economic impact as the result of the fee increase and fee formula now being applied by these agencies. The present fee formula being applied will raise the grazing fee from 33¢ to \$1.23, per AUM. Agency figures indicate that in Nevada there are 2,125,658 AUMs administered by the Bureau of Land Management upon which this fee will be paid. Nevada ranchers will thereby suffer an increase in cost of doing business of about \$2,000,000.00 without any offsetting increase in income with which to pay this added cost. The only source of income for an operating rancher to pay his costs of doing business is his livestock. He finances his business based upon the number of livestock he will be able to graze. Studies have shown that a successful rancher can expect about a 2% return on his capital investments, including investments in range permits. Most ranchers are not now realizing this return, and yet they are faced with inflationary increases in costs of labor, machinery, equipment, feeds, capital improvements, grazing fees and other costs of operation without having any means of increasing their income. In Nevada, the Bureau of Land Management and U.S. Forest Service freeze the ranchers income by specifying the number of livestock a rancher can graze each year. When these agencies increase the cost of doing business by raising grazing fees, they do not at the same time permit more livestock to be grazed so that the grazier can produce the added funds to meet the increased cost. This industry cannot economically stand the inconsistent policies of these agencies controlling and freezing income at one level and increasing the cost of business at the same time.

A sensible and practical alternative to fee increases would be for these agencies to concern themselves with improving and developing the range and forage in cooperation with the ranchers so that through the increase in forage available the range graziers could graze more livestock on the Federal ranges thereby producing more grazing fee income to the agencies under the old fee formula from the fees paid for the increased numbers of livestock grazed.

Section 2 of the Taylor Act (43 USC, § 315a) provides that the Secretary of

Interior shall provide for the orderly use, *improvement* and *development* of the range. This is a duty imposed on the Secretary which has not been carried out. The number of livestock grazed on Federal ranges has not increased during the 35 years the Taylor Grazing Act has been in existence. In January, 1969, the Renewable Resource Center of the College of Agriculture, University of Nevada issued a Report entitled "Competitive Uses of Nevada's Range Forage by Livestock and Big Game", by A. L. Lesperance and P. T. Tueller, Assistant Professor, Nutrition Division of Animal Science, and Associate Professor, of Range Science, Division of Renewable Resources. This Report contained the following pertinent information:

The annual number of AUMs required by meat animals in Nevada is 7.9 million. Forage from lands managed by the Bureau of Land Management provide 53% of the total range forage requirements. Forest Service lands supply only 6% of the total, while private and other sources provide 41% of the total range forage. The Report states, "It is interesting to note that in the last 5 years the number of AUMs available from BLM land has decreased about 30% while those on private and other sources have increased by about 177%."

These figures clearly reflect the effect of adverse agency policies and show that the rancher is a better range conservationist and manager than the managing agencies.

This new fee increase and formula is in direct conflict with the provisions of the Act requiring a "reasonable fee," a safeguarding of recognized grazing privileges and the development and improvement of the range.

These agencies are pricing and managing the Federal forage ranges out of business with their high fee policies, their policies limiting grazing, and their policies which do not provide grazing tenure. Tragically, they are also pricing and managing many ranching units out of business which action is directly contrary to the intent and purpose of the Taylor Grazing Act. The ranchers will reasonably and of necessity have to turn further to the improvement, development and use of their own lands and the private forage sources they can properly use, control, manage and conserve under their own policies. This increase will drain funds from the livestock industry to the extent that it will be of serious questionable value to the livestock people for them to continue to maintain the range improvements on Federal lands already made or to invest large expenditure of funds in further range improvements needed on federal lands.

The Nevada ranches are primarily family operated ranches. The increased cost of business resulting from this fee increase will have to come out of the ranchers portion of the income that is used to support and educate his family. By economically crippling the ranching family you preclude young people from taking an interest in ranching and staying in the family livestock business. The Government policies are instilling in the young people a lack of confidence in the integrity of Government Administration and in the future of the livestock industry, adding to the problem of the movement of young people from rural to urban areas.

The drain of over \$2,000,000.00 from the Nevada ranchers for grazing fees will have side effects to the economy of the State of Nevada amounting to a loss of approximately \$8,000,000.00 per year. According to the University of Nevada Renewable Resource Center Report of January, 1969, in 1967, the meat animal industry in Nevada generated \$77.4 million into the Nevada economy and big game hunting contributed an estimated \$4.6 million. This Report concludes that livestock is contributing about 17 times more to the economy of Nevada than big game and is using less than 6 times as much range forage to do it. There will be the further loss to ranchers and State resulting from the raise in grazing fees on the approximately 500,000 AUMs of grazing privileges used on the national forests.

In addition to the increased cost of business cost, the current holders of permits will lose an average of \$14.00 per AUM invested in BLM permits and an average of \$25.00 per AUM invested in U.S. Forest Service Permits. This means that Nevada ranchers will lose approximately \$32,000,000.00 in capital assets. We respectfully urge this subcommittee to read and give careful consideration to the "Position Statement on Current Grazing Fee Issues and Problems" prepared and issued November 19, 1968, by Darwin B. Nielsen, and N. Keith Roberts, Assistant

Professor and Professor in Agricultural Economics and the Economic Research Center, Utah State University, Logan, Utah. This report, referred to as the Nielsen Report, sets out the serious negative economic impact that this new grazing fee and grazing fee formula will have on the Utah ranchers in particular and the Western Ranchers in general. This report vividly points out that this new grazing fee increase will wipe out all permit values immediately after implementation resulting in a loss to western ranchers of \$343,000,000.00 in capital assets. The impact on the economy of the State of Nevada and its ranchers will be proportionately more damaging than in the State of Utah and the other western states. Approximately 87% of the land in the State of Nevada is Federally owned. Over 47 million acres of Federally owned land in the State of Nevada is administered by the BLM as compared with over 24 million acres in Utah. Alaska is the only State in the Nation which has more Federal land ownership within its boundaries than the State of Nevada. About 10% of all Federally owned land administered by the Bureau of Land Management in the entire nation is in Nevada, if Alaska is considered, and if Alaska is not considered, Nevada has 26% of all Federally owned lands administered by the Bureau of Land Management. The real property taxes paid by the ranchers in the State of Nevada constitute an essential financing element for the State, County and City Governments. When action is taken to severely decrease the market value of ranching properties, such as the present fee increase will do, it has a drastic and serious reducing affect on the amount of tax revenues available to the State, County and Cities for them to carry on their programs and services.

4. By economically crippling and damaging the Western rancher these agencies will, at the same time, be damaging the recreationists, the conservationists, and the general public interest, and they will destroy the multiple use concept. To have a proper perspective of the type of range lands we are discussing, the Federal Government and the general public must recognize that by 1934, when the Taylor Grazing Act came into existence, most of the public land of any value had been transferred to private ownership through various disposal methods. What the Government retained was a vast residue of marginal, left over lands in the deserts and high plateaus of the arid West. This land was generally too dry, rough, or rocky for much use other than grazing and so, in its unimproved state, it remained the property of the Federal Government. During the past few years important improvements have been commenced on the Federal ranges in the form of improved forage through seedings, brush clearings and control of poisonous plants; development of critically needed water supplies in the vast arid range areas; improvement and construction of access roads providing access to areas previously inaccessible, and others. For the most part, it has been the ranchers who have made the privately financed contributions to the improvements on Federal lands. Approximately 30% of the \$14,000,000.00 in range improvements that have been put on the Federal grazing ranges in Nevada have been paid for by the ranchers from private funds at a cost to them of over \$4,200,000.00. The balance of the funds have been provided by the Agencies. These improvements, even though financed in part by private funds contributed by the rancher, have been of benefit to and utilized by, not only the ranchers and their livestock, but by recreationists and other members of the public and by wildlife and upland game. In many areas, privately-owned feed and water supplies make up 70 to 80% of the forage required to sustain wildlife. The recreationists and other members of the public are enjoying not only the range improvements on Federal ranges being made by the ranchers, but also the benefits of the ranchers' private lands and waters without paying fees for the use or contributing to the improvement or conservation of these privately owned lands. If the livestock industry is removed from the federal lands through crippling fee increases these benefits will be lost, the \$14,000,000.00 investment by the Government and ranchers in range improvements will be sacrificed, and the Federal Government will have 47 million acres of grazing lands without a fee paying tenant to use, conserve and improve them. The Western ranchers are the natural range conservationists. Their livelihood and future depends on proper livestock and forage management. Studies are available to show that the harvesting of forage through proper grazing is the most efficient and effective conservation tool to produce resource values and to manage them. Grazing is not a consumptive use—it is a productive and stabilizing use. Proper grazing is a use compatible with and beneficial to other proper range uses. Through proper grazing in sufficient numbers

forage can be utilized and increased on a sustaining yield basis thereby providing future stable forage for livestock and wildlife harvesting. As you reduce livestock grazing you reduce natural conservation practices.

5. There have been many published warnings of the consequences of the "population explosion" and the resulting world food shortage. We should not be a nation which professes concern over the world's food problem while adopting and enforcing domestic policies which weaken our food producing industries and reduces our capacity to produce the food and fiber required by people. We should also not be a nation which spends millions of dollars to determine that there are poverty stricken people in our nation who are hungry and at the same time permit the agencies of our government to independently establish and enforce policies which economically cripple the food and fiber producing livestock industry. The Congress of the United States, in looking to the future, should be requiring the agencies involved in this fee increase dispute to stabilize the livestock industry; to increase rather than decrease food and fiber production; to initiate policies and programs that will economically strengthen, rather than weaken, the livestock industry; to encourage and assist the livestock industry in its efforts to conserve, improve and harvest the forage resources on the Federal Lands. These can all be accomplished within the multiple use concept in such a fashion as to meet and satisfy the needs of the recreationists, the livestock industry and the other range users. Many of these uses are compatible and one use and development tends to strengthen the use and development of the other. One use, such as grazing, should not be eliminated for the benefit of any other use.

6. The agencies involved in this fee dispute have refused to recognize the economic reality that permits to graze on the public lands have taken on values over and above the grazing fee. The Nielsen study reflects that the permit values, which are owned by ranchers and bought and sold in the market are recognized as a legitimate cost of ranching today. These values have built up because of the policies and rules and regulations of these managing agencies. They have confined livestock to specified areas of grazing; they dictate how many livestock can be turned out and when they must be removed from the range; they have imposed drastic grazing cuts, all of which has resulted in requiring the rancher to find some means to attempt to stabilize the number of livestock he can graze in order to meet long term and budget financing demands which are based upon the number of livestock the rancher will be able to graze. When these cuts are imposed the rancher is forced to refinance to provide funds to increase the grazing capacity of his area of the range or he must eliminate competition on the range by purchasing his neighbors rights to graze livestock on the Federal lands. When this type of permit purchase is made the rancher is not buying the Federal lands, he is paying the Seller of the grazing permit not to put the Seller's livestock on the Federal lands. This is analogous to such business transactions as trucking firm A purchasing trucking firm B which has Interstate Commerce Commission operating rights and thereby acquiring certain trucking routes and operating rights to the exclusion of the Seller. These operating rights are issued and controlled by the proper agency, and because they are issued on a limited basis for prescribed routes or areas they develop value which is bought and sold with businesses. There is, however, no contention by the issuing agency that operating rights grant any proprietary rights in the Federal highways. Business practice in the livestock industry have developed a similar value approach in connection with the acquisition of grazing permits. There should be no agency assertion that recognizing the cost of these permits would amount to the granting of a proprietary right in the public lands. This analogy would also apply to the purchase by one airline of another airline and its certificated air routes. There is no contention that there is danger of giving the airline a proprietary interest in the airspace. It is recognized in those industries that these are proper costs of business operation and the livestock industry is entitled to capitalize these costs as a part of its costs of operation in arriving at a reasonable grazing fee formula.

This concludes the presentation of our objections. We respectfully urge Congress to immediately take such action as is proper to rescind the grazing fee increase now being put into effect; to defer all further changes in grazing fees until Congress has had an opportunity to review the findings and report of its Public Land Law Review Commission and to act thereon; and to establish a grazing fee structure and formula based upon the SRS Report in-

cluding specifically in the 15-non-fee cost items, a proper capitalization of permit cost as a cost of doing business in the livestock industry, the formula to be on a forest by forest, district by district or market area by market area level.

Respectfully submitted.

NEVADA STATE CENTRAL COMMITTEE OF
NEVADA GRAZING BOARDS,
JOHN C. CARPENTER, *Member*.
NEVADA STATE CATTLE ASSOCIATION,
VERNON DALTON, *Vice President*.
NEVADA WOOLGROWERS ASSOCIATION,
DELOYD SATTERTHWAITE, *President*.
NEVADA STATE FARM BUREAU,
ROBERT THOMAS, *Authorized Representative*.

Mr. BARING. Thank you very much.

Chairman Aspinall.

Mr. ASPINALL. Mr. Chairman, we have run out of time, but I have one request.

Would you furnish to us the differences or the similarities as you understand them between reasonable fees, fair market value returns, and full and equitable returns? Will you send that to us?

Mr. SATTERTHWAITE. Yes, sir.

Mr. ASPINALL. I ask that it be placed in the record at this place.

Mr. BARING. Without objection, so ordered.

(The document above-referred to, follows:)

NEVADA WOOLGROWERS ASSOCIATION,
Elko, Nev.

HON. WAYNE N. ASPINALL,

*Chairman, Committee on Interior and Insular Affairs, House of Representatives,
Washington, D.C.*

DEAR MR. CHAIRMAN: Enclosed is a study done by Jack Hull giving our interpretation of "reasonable fee", "full and equitable fee", and "fair market value".

We trust that this will clarify the light in which the livestock men in the West regard these matters.

We appreciate very much your assistance on behalf of all parties, in arriving at an equitable solution to all public land problems, and especially the critical grazing fee question.

Very truly yours,

RAMON N. GOICOA,
Secretary-Treasurer.

VAUGHAN, HULL, McDANIEL & MARFISI,
ATTORNEYS AND COUNSELORS,
Elko, Nev., April 25, 1969.

NEVADA WOOLGROWER'S ASSOCIATION,
Elko, Nev.

(Attention of DeLloyd Satterthwaite, President, and Ray Goicoa, Secretary.)

GENTLEMEN: This letter is in response to your request for a definition of "reasonable fee", "full and equitable fee", and "fair market value", as these terms would apply to grazing fees.

After extensive thought and reading I am in agreement with the Court that said, "An attempt to give a specific meaning to the word 'reasonable' is trying to count what is not numbered, and measure what is not space."

The Taylor Grazing Act authorized the Secretary of Interior to establish grazing districts (Section 1) and to issue grazing permits upon "the payment annually of *reasonable fees* in each case to be fixed or determined from time to time, and in fixing the amount of such fees the Secretary of Interior *shall take into account the extent to which such districts yield public benefits over and above those accruing to the users of the forage resources for livestock purposes.* Such fees shall consist of a *grazing fee for the use of the range*, and a range-improvement fee which, when appropriated by Congress, shall be available until

expended solely for the construction, purchase, or maintenance of range improvement." (Section 3) [Emphasis supplied.]

The Courts which have attempted to define or contrive the term "reasonable" when used in connection with such matters as fees, compensation, rentals, etc., have indicated in various expressions that the term "reasonable" is not to be construed in the abstract or in a vacuum unrelated to the field and facts to which it applies; that it is a factual expression not ascertainable by reference to rule, law or formula, but may be said to mean fitting and proper and characterized by moderation; that "reasonable" involves thinking or acting according to the dictates of reason, without immoderation or excessiveness, being synonymous with rational, just, equitable, fair, suitable, moderate and tolerable; that for a fee to be reasonable, it should not exceed the limit of reasonableness, it should not be capricious, arbitrary or confiscatory; it should be moderate rather than liberal.

Applying these definitions to the fee language contained in the Taylor Grazing Act, the word "reasonable" was intended to limit or restrict the authority and power of the Secretary of Interior in setting fees. By using the word "reasonable" the Secretary of Interior was assigned the responsibility of acting under the guidance of reason in a just and fair-minded manner taking into consideration not just the side and interests of the government, but also the side and interests of the range user and the impact that fees would have on the range user. Under the Taylor Grazing Act concept the fees set could not exceed the limit of reasonableness; they could not be capricious, arbitrary or confiscatory; the amount of the fee was to be moderate rather than liberal; the fees were not to be set at the highest price that could be extracted from the range user.

The Taylor Grazing Act required the Secretary to set the fees in *each district* based upon a *fair consideration* of all range conditions on a district by district basis, and all matters, factors and circumstances affecting the range user in that district. The act required the Secretary to take into account the extent to which the district yielded public benefits over and above those accruing to the users of the forage resources for livestock purposes. In order words, the Secretary was charged with the responsibility of analyzing each district and setting a fee which was *reasonable* in that district when the benefit received by the forage user was analyzed in connection with all factors affecting the range user, including the impact that the fee itself would have upon the user. Also, under the Act the livestock users were not to be charged for any benefits the district yielded to the public for other public uses of the range such as through wild life use, recreation use, mining use, and any other uses available under what we now call the multiple use concept. The fee, to be reasonable, had to be based only upon the benefits accruing to the users of the forage resources for livestock purposes; it has to be a fee that was fair to the range user and one the user could reasonably pay; and it could not be set on the basis of defraying all costs of administration or other costs or revenue items or concepts that did not provide benefits to the forage user.

Over the years the fee setting function has strayed farther and farther from the "reasonable fee" concept contained in the Act. The administration of the Act has evolved into a governmental policy or philosophy that the word "reasonable" was for the benefit of the government or the public and not the forage user and that it means that whatever is reasonable for the government has to be reasonable for the range user without the necessity of fairly considering the range users circumstances, the range conditions, the benefits received by the range user, the economic impact of the fee upon the range user, and the impact on the range user of agency management practices. It appears that the Act requirement of a proper accounting for the other public uses and benefits has not been complied with. This is evidenced by the fact that public uses have been steadily increasing through wildlife management, development of recreational sites with increased recreational use, etc., while the managing agencies have been constantly reducing the number of livestock on the ranges through carrying capacity reductions, allotment rotation plans, etc., thereby reducing the amount of use and benefit to the range user and yet at the same time increasing the grazing fees.

The Taylor Grazing Act, which is the law, specifies that the fees are to be "reasonable". Terms such as "full and equitable fee" and "fair market value" are not synonymous with "reasonable fee" and the use of those terms imply that the administering agencies wish to ignore or get away from the requirement

that they be reasonable in setting fees. "Equitable fee" and "reasonable fee" are generally considered synonymous. However, appending the word "full" results in a contradiction. The word "full" has been defined by the Courts as meaning the highest state, point or degree; the fullest or utmost extent. The Taylor Grazing Act did not require that the fees be the highest possible. It required that they be reasonable; that they be fair in the light of all factors and circumstances effecting both sides of the issue. In *Ferguson vs. Dickson*, 300 Fed. 961, the Court was considering the meaning of the term "fair consideration" within the Revenue Act of 1918, and it stated that "fair consideration in money or money's worth" is consideration which under all the circumstances is honest, reasonable, and free from suspicion, whether or not strictly "adequate" or "full". Since the Taylor Grazing Act does not require a "full" fee or all that the traffic can bear, the word "full" should not be used in connection with fee setting.

The term "fair market value" is most often defined by the Courts as the price at which property changes hands in a transaction between a willing buyer not compelled to buy and a willing seller not compelled to sell. The term assumes that the parties on both sides are free to deal on equal terms and it contemplates a determination of what is a fair, economic, just and equitable value under normal conditions when each party is free to decide what is best for him and what he can afford to pay. Technically the term is not apropos to the setting of grazing fees for the following reasons:

1. The concept requires two parties with equal voice, authority and opportunity to negotiate and determine what is best for him. In grazing fee matters the setting of the fee amount is vested in the Secretary of Interior, thereby establishing a unilateral method of setting the fee and precluding the forage user from having a free will and voice in the matter.

2. The range user is not free to decide whether he will buy or not and the decision as to whether or not he can afford it is taken out of his hands. The western ranchers are dependent upon the Federal range. They have little or no choice as to whether or not to "buy" at the prices set by the Secretary of Interior. The administration and management of the Federal ranges have reached the point where the administering agencies are actually running and controlling the livestock industry and the private lands, livestock, improvements, and other investments of the rancher through such practices as setting and controlling the following: where range use can be taken; what dates livestock can go on the Federal range and what dates they must be off; how many livestock can be grazed at varying times; what trails, waters and lands livestock can use; what types of grasses can be grazed by specified livestock and what types of forage and grasses can be planted and developed not only on Federal ranges but on private lands interspersed with the Federal ranges; what fences should be constructed and where. The agencies have been reducing the number of livestock grazing on the ranges and thereby limiting the income of the rancher and his ability to pay. When the agency reduces numbers the rancher *must* become a buyer of forage somewhere—it is a forced market caused by the government. This is alien to the concept of market value set in a free market.

Also, the agencies have written trespass procedure and penalties into their management codes with which to compel compliance with their policies, dealings and price setting. If a range user does not comply with the agency dictates, or pay its price, the range user is subjected to drastic and arbitrary trespass actions and fines. In private dealings the party negotiating a "fair market value" determines for himself the property he is going to receive, what price he will pay, and what controls, if any, he will tolerate and he does not face stringent trespass penalties if he disagrees with the other side or chooses not to buy or pay the price set arbitrarily by the other side.

For the term or concept of "fair market value" to be used in connection with grazing fee matters it would have to be redefined so that it includes the reasonableness concept which appears in the Taylor Grazing Act, and gives both the range user and the government an equal, fair voice in the setting of the fee so that the resulting fee is "reasonable" to both sides.

Even though the Taylor Grazing Act does not call for the payment of a "fair market value" for forage, the western livestock people have indicated a willingness to use fair market value approach in setting fees in an effort to resolve the dispute over grazing fees so long as the fee setting method or formula is adequately defined and includes the requirement of reasonableness. A "reasonable fee" as intended by the Taylor Grazing Act could well be less than the fair

market value of forage. As an example, a financially strong buyer may be willing to pay more for forage and thereby increase the fair market value. Not all ranchers are in the same financial condition and not all ranges are of the same quality and capacity. Although the forage in a certain district or area may have a fair market value, if the ranchers in that district or area cannot afford to pay the market value then that is not a reasonable fee. As a consequence, if fair market value is to be used to set fees, the formula used to arrive at the fair market value of forage must include the items that would be considered in determining a reasonable fee including the ability to pay and the impact of the fees and of the management practices of the agencies upon the economics of the industry. It is this concept that the livestock industry is advancing when they say that in arriving at fair market value all of the 15 non-fee cost items specified in the 1966 S.R.S. study must be deducted and given consideration before a *reasonable fee* can be set based upon a fair market value approach.

Very truly yours,

JACK E. HULL.

Mr. BARING. Thank you very much, gentlemen. We will reconvene again at 1:30.

(Whereupon, at 12:00 noon, the Subcommittee recessed, to reconvene at 1:30 p.m., this same day.)

AFTERNOON SESSION

Mr. BARING. The Subcommittee on Public Lands will come to order.

Our first witnesses this afternoon will be Robert Burford, Grand Junction, Colo., Nick Theos, vice president, Colorado Wool Grower's Association, Meeker, Colo., and Homer Jackson, president of the Colorado Production Credit Association.

Mr. ASPINALL. Mr. Chairman, these witnesses are all from what can be said to be my home community. Within 500 miles of where I live is my home community. One of them comes directly from home. The others aren't from very far away. I am glad to have them here.

Mr. BARING. We are very happy that they are before us.

Mr. CLAUSEN. Would the Chairman yield?

Mr. BARING. I yield.

Mr. CLAUSEN. Gentlemen, I am Congressman Clausen from California, and I want to tell you as a Republican how much I appreciate serving with your Congressman, the Chairman of our full Committee. I think it is important that we convey this to you, and we are deeply grateful for your sending him here to the Congress to serve with us. Thank you.

Mr. THEOS. Thank you. We feel the same way.

Mr. BURFORD. Mr. Clausen, the only thing is some of us back there are still trying to figure out whether he is a Democrat or Republican.

STATEMENT OF ROBERT F. BURFORD, VICE PRESIDENT, COLORADO WOOL GROWER'S ASSOCIATION; ACCOMPANIED BY NICK THEOS, VICE PRESIDENT, COLORADO WOOL GROWER'S ASSOCIATION; AND J. H. JACKSON, PRESIDENT, PRODUCTION CREDIT ASSOCIATION

Mr. BURFORD. The three of us felt that since so much testimony that has been presented has been about the same as the testimony that we had to present, we would rather make just a short statement, entering our written testimony in the record as having been presented.

I have only one comment to make, I think that perhaps the Bureau of the Budget is making a mistake in that they are trying to price this forage to what we consider will be above market price, and when you try something that way there may be no demand for it. So in the end they may defeat their own purpose and actually get in less money from the sale of this forage than they would if they sold it at a reasonable price.

If Mr. Cliff was here, I would like to say to Mr. Cliff, perhaps I should thank him for delaying this increase over a period of 10 years, but to me it is kind of like cutting a dog's tail off an inch at a time to keep it from hurting so much. I just can't see that. Maybe he should go ahead and do the whole thing at once and put us clear out of business.

I have nothing further to add to my statement.

(The complete prepared statements of Messrs. Burford, Theos and Jackson, above-referred to follow:)

STATEMENT OF ROBERT F. BURFORD, VICE PRESIDENT, COLORADO WOOL GROWERS ASSOCIATION

Mr. Chairman and gentlemen of the committee, I am Robert F. Burford of Edwards and Grand Junction, Colorado and am appearing here as Vice-President of the Colorado Wool Growers Association. Except for service in the Pacific with the United States Marine Corps during World War II, I have spent my adult life in the range sheep business in Western Colorado and Eastern Utah as did my father and both of my grandfathers.

I know you gentlemen have received many letters and heard much testimony, pro and con, on this raise instituted in the final days by the prior administration. We stockmen are protesting this arbitrary increase and change in the fee structure from "price of livestock" base to a strictly "forage value" base. Since the base of the forage index is computed on the price for private forage and since an increase in fees on the surrounding public lands will increase the forage values of the private lands (by demand), the forage index will go higher in a self-perpetuating upward spiral. This can have but one ultimate effect—the removal of livestock from certain parts of the public lands of the West. To me this appears to be an abrogation of the concept of multiple use by economic coercion.

The first places to be affected on the Colorado National Forest will be those areas where large amounts of summer range are available and there is little irrigated land for the production of winter forage. Traditionally, sheep and cattle are shipped into these areas in the Spring and shipped out to winter ranges in the fall. This transportation adds to the cost of forage, but transportation provides a way to utilize something which would otherwise go to waste. One such area I am familiar with is the Holy Cross Division of the White River National Forest. Sheep numbers here have declined drastically in the past five years, with a resulting decrease in monies received by the government, and the fee increase can only hasten this decline. The same is true near and east of Green River, Utah, in the desert winter ranges administered by the Bureau of Land Management. These are the parts of the country I know about from personal experience. The same is no doubt true of similar places in other states.

Intelligently grazed, the forage of the public lands is a national asset which can be used forever without depletion. Competitively priced, it can provide an annual income to this nation. By pricing it above the market, the Bureau of the Budget may find itself receiving less and less money each year, while a useable national resource goes to waste. At a time when many students of world food supplies and population trends believe that the theories of Malthus may prove correct within the next decade, we can ill afford to indulge these short-sighted policies. The breeding herds of these affected Western States are an integral part of the food factory of this nation. Unlike a factory which could be moth-balled and then started again within a few months, and unlike farm land which can be retired to a Soil Bank and then put back into production by plowing and planting within one season, breeding stock takes years to replace.

The United States government frequently sells from its metal stocks of war materials, from its surplus grain stocks and also sells services, and from each of these categories definite specifications as to quality, quantity and performance are assured to the buyer. This is not true with the stockman as he buys forage from the government when he pays his grazing fees. There is never a guarantee in the arid West that the feed he is buying on the range will be there in sufficient quantity to represent even partial value for his fees. He buys a pig in a poke, so to speak, and added fees only further exaggerate the inequity.

Considering the aforementioned facts, impact on the economies of the affected areas, and other points brought out by the testimony you have heard and will hear, I urge you to delay these fee increases until the results of the Public Land Law Review Commission are presented to the Congress. With the facts of this study and other pertinent surveys before you, a thoughtful and considered decision can be achieved.

STATEMENT OF NICK THEOS, VICE PRESIDENT, COLORADO WOOL GROWER'S ASSOCIATION

Mr. Chairman and gentlemen of the committee, my name is Nick Theos, I am a resident of Meeker, Rio Blanco County, Colorado.

The residents of this County are very proud of the fact the district in which they live is within the Congressional District which Mr. Aspinall so ably represents.

I have spent my entire lifetime in Western Colorado and Eastern Utah, first assisting my father in the operation of his sheep raising business and since 1953, operating my own outfit. The production of wool and lamb on the open range in and upon what is known as the "Western Slope" is the only business I have even been engaged in and the only one I know. My wife, children, and I are wholly dependent on the successful operation of this business for our livelihood.

I am presently Vice-President of the Colorado Wool Growers, an organization with 1,000 members; I have been a member of the Bureau of Land Management Advisory Board for Colorado Grazing District No. 1 for 15 years, the Colorado State Advisory Board for 8 years; I have been a member of the Bureau of Land Management Advisory Board for Utah Grazing District No. 8 for 6 years; and I am presently being elected by fellow wool growers to serve on both the Colorado and Utah Boards.

I am, and have been for the past six years, a member of the White River National Forest Advisory Board. My father and I have held permits to graze on Federal lands since they were first issued following the enactment of the Taylor Grazing Act. I am well acquainted, from a practical viewpoint, with the operation of a sheep outfit on both the Bureau of Land Management lands and on National Forests.

I am proud of my heritage as a wool grower which came to me from my father, Angelo Theos, whom many of his friends have labeled as a "Great American." Early in his life he left his home country of Greece and came to the Vernal, Utah-Meeker, Colorado area and built up what is recognized as one of the best sheep outfits in the West. He, with my mother, also from Greece, reared a family of six children all of whom were born in the above described area. All our lives we were thoroughly instructed, taught, and learned, the fundamentals of Americanism and what great privileges and blessings we were entitled to if we became good citizens. These teachings of my father have become a part of my life. This heritage also applied to our business.

At the time of his death my father provided me, and four other members of his family, with a good sheep outfit. We have been able to successfully operate them until now. All of these outfits are based on ranch and range properties we have had to purchase and are wholly dependent upon the use of grazing lands administered by the Bureau of Land Management and the Forest Service. Without the Forest Service and Bureau of Land Management grazing permits we own, we would not be able to operate and would have to go elsewhere in which to earn a livelihood for ourselves and families. I mentioned these things in order that the members of this Committee may understand how vital the subject matter now before your Committee is in the lives and well-being of the people engaged in the livestock business who are using Federal lands whether it be in the raising of sheep or cattle. It is all we have and if the use of public lands is

priced so high we have to cease doing business, it will spell disaster and failure in the lives of many of us who know no other business.

The businesses established by my father, later turned to myself and my brothers, was built up on the understanding that the United States permitted and encouraged the use of public lands by livestock operators for many years without charge and after the Taylor Grazing Act, with charge, for the purpose of establishing communities and the industrial development of the West. We accepted this offer and have complied with our part of the agreement. The Taylor Act, as you know, provides that "Grazing districts will be administered to conserve and regulate the public grazing lands, to stabilize the livestock industry dependent upon them, and in aid thereof to promote the proper use of the privately controlled lands and waters dependent upon those public grazing lands."

This act, I have always understood, means that the public lands will be administered in a manner that will stabilize the livestock industry and the value of private lands in the Western area. So far, this has been done. However, now we are confronted with what appears to me to be a change in the policy of the United States dictated by the Executive Branch of Government rather than by the Congress, which has always been the branch of Government which determines policy so far as the use and disposition of public lands are concerned.

I am here today representing thousands of wool growers in Utah and Colorado, the States I now run my sheep in, to protest, as our outstanding Congressmen, Representatives Aspinall and Senator Allott, have so well stated, "is a most unreasonable action," on the part of the Secretaries of Interior and Agriculture, in increasing the grazing fees charged by the Bureau of Land Management and Forest Service.

I need not inform you that the livestock industry today is in a precarious financial position. The price we sell our livestock for has not increased at all, while our expenses continually get higher. Had it not been for the inflated price of our lands, which has permitted us to borrow more money to operate on, most of us would have been out of business before now. Under the circumstances we cannot stand a further increase in any of our expenses and particularly grazing fees. It is not the amount of the per head or per AUM increase that hurts us but the percentage. The proposed increase from 33¢ to 44¢ per AUM already levied by the Bureau of Land Management amounts to 33⅓% increase in one year. If carried to the ultimate the present proposal will amount to approximately 400% in ten years. This is simply prohibitive and destructive.

This matter has been carefully considered for many years by livestock operators and when the Public Land Law Review Commission was created by Congress, to make a complete overall study of the laws and the use of Federal lands, we felt a sound approach was being taken. The Executive Branch of the Government was given representation on this Commission and we were led to believe that the Department of Agriculture and Department of Interior would await the final report of this Commission before taking any action, let alone the drastic recommendation the respective Secretaries made, in what appears to be a last minute act taken to deliberately financially embarrass livestock operators.

It has already been reported to you that the National Wool Grower's Association, the Colorado Wool Grower's Association, whom I represent here today, and the Utah Wool Grower's Association, all of which organizations I belong to, have unanimously opposed any increase in grazing fees, until the overall situation has been studied. And until such time as the now sick livestock industry has recovered sufficiently from its economic depression to be able to pay an increase.

Gentlemen, this matter must be settled on some fair basis. The livestock industry of the West is too important to be permitted to disintegrate. The production of food and fiber for the increasing population must be of national concern. The complications that would follow an unreasonable advance in any of the present expenses of operation, particularly an increase in grazing fees on public lands, which might force the deterioration of the livestock business would be unending. I, like many other permittees have expended great sums of money for range improvements, fences, water holes, reseeding, brush clearing, and other soil and range conservation practices on public domain. If we are forced out of business how can we recover the money we have expended relying on the Government's representations to us that these improvements would always be ours. It would be impossible to sell them, for prospective buyers would also be faced with the same economic factor and would downgrade the value of the permits and range improvements which would cost us large sums of money.

Today, on behalf of the organizations above mentioned, I respectfully urge that the Congress of the United States take such action as is necessary to prohibit any increase in grazing fees by the Executive Departments concerned until:

1. The final and complete report is received from the Public Land Law Review Commission.
2. The future policy of the United States with reference to the use of public lands is determined. (We urge that it be what is expressed in the Taylor Grazing Act.)
3. The livestock industry has recovered from its present economic depression to a point where an increase in grazing fees will not force livestock operators out of business.

STATEMENT OF J. H. JACKSON, PRESIDENT, PRODUCTION CREDIT ASSOCIATION,
RIFLE, COLO.

My name is J. H. Jackson. I am President of the Production Credit Association at Rifle, Colorado, a position I have held for the past 26 years. I have been with the Farm Credit Administration since the Production Credit Associations were established in 1934, and I have been in rural banking and agricultural credit since 1925. Our Production Credit Association at Rifle serves the 8 northwestern counties of Colorado. Eighty percent of our loans represent cattle and sheep ranching operations. The balance of our business is made up of general purpose farming. In 1968 we extended credit in excess of \$26 million.

We have counseled with stockmen of that area for the past 26 years, assisted them year after year in setting up their financial statements, helped them plan their programs of operation, helped them estimate their budgets of operating expenses, as well as to estimate livestock sales and establish repayment programs. In fact, we have planned and consulted with them in all factors affecting the livestock and agricultural economy year after year.

Stockmen today are operating under the most difficult "cost-price squeeze" ever experienced in the history of the livestock industry. For the past 10 years the calves produced in Western Colorado and throughout all of the Western States have sold below the cost of production. Likewise, lambs and wool have been selling at prices that are forcing the sheepmen out of business.

Because of the continuous spiraling rise in operating costs there has been an almost continuous downward trend in net farm income for the past 17 years. Stockmen are actually selling cattle, calves, lambs and wool now at prices less than they sold for 18 and 20 years ago. It is impossible to meet present day operating costs with present day livestock prices. These conditions are forcing farmers and stockmen out of business at the most rapid rate ever in the history of the nation.

Much is being said about the need for an improved marketing system. But little or nothing is being done about it. The producers are in a position where they no longer have a marketing "system". Their finished product goes through markets where prices are established by the retail segment of the food industry. The retail control of prices to processors and wholesalers determines the selling price for the producer. The stockmen's problem today is "price". American agriculture is trying to operate on a quoted ratio of about 74% of parity. Everyone should know this cannot last.

Misconception seems rampant in American agriculture, particularly so in the livestock industry. A part of the reason for the misconception is that stockmen have some poor public relations. They are building an image that is contrary to their economic position. We realize it may be difficult for the general public or for Congressmen to understand why their income will not support an increase in grazing fees when the daily news and livestock journals tell of the Cattlemen's National Convention being held in Hawaii and attended by more than 2,500 people; or to learn of the Linkletter-Howard Hughes Livestock Exposition to be held later this year at Las Vegas, the gambling playground of the nation; when \$40,000 bulls are sold and housed in the Brown Palace Hotel in Denver. But this image is not representative of the rank and file of America's stockmen who represent farm families with debt loads that have tripled in size in the past 10 years. Because of submarginal prices they are unable to meet present day operating costs, pay the loan interest and make a reduction of the principal debt. For most operators, their only foreseeable way of paying their indebtedness is to sell their entire ranch setups. They are in an operating "squeeze" now where

prices will not provide enough income to meet operating costs and ever retire the principal debt.

It is also a dangerous misconception to believe that 2 million so-called "submarginal" farm families (who are "submarginal" because of prices) can be forced off of their farms without serious consequence. They represent 2 million rural businesses now on the rolls as taxpayers and customers of the country banks and all segments of rural enterprise. These people cannot be taken off of the rolls of taxpayers and moved into subsidized programs and Welfare to live off of the nation's economy instead of contributing to it without threatening the entire banking structure that is now supporting all of rural America. And it raises the threat of a financial collapse of the entire national economy.

More than 90% of the stockmen in Northwestern Colorado use the public lands in some connection with their ranch setups. Most of this use is on a "number of head" or number of animal units "permit" basis. The "size of the permit" is an intricate part of the entire ranch operating program and any change in the "numbers" or "time use" of the permit brings a corresponding change in the entire ranch operation and has a direct bearing on the valuation of the ranchers' deeded land. Likewise, any material change in the cost of the use of these permits brings a corresponding change in the valuation of the ranch holdings.

Rural banks, Production Credit Associations and other lenders have been financing stockmen for the past decade, more and more, on the strength of their real estate values; because as their livestock operating program continues to default, it becomes necessary for the real estate to carry more of the debt each year. And this is the reason that farm and livestock debts have tripled in size in the past 10 years.

Everyone is aware of the recent increase in interest rates bringing interest rates up to the highest level they have been in more than 30 years. Increased taxes, higher labor costs, increased costs of equipment and repairs—all operating expenses continue to climb without a corresponding raise in livestock prices. To add to their burden now with a proposed 400% increase in the grazing fees will simply force many families out of business and will threaten the collateral value of the western ranch lands.

We respectfully solicit the help of Congress to take such action as necessary to prohibit an increase in the grazing fees:

1. Until the livestock industry is on a stable economic operating basis.
2. Until the final and complete report is received from the Public Land Law Review Commission.

Mr. BARING. Mr. Burford, I gather from what you said it would put the livestock business completely out of business if they followed the dictates of the—

Mr. BURFORD. Yes, sir. In certain areas I feel certain that this will be noticed immediately.

Mr. BARING. Would you say that the action of the Congress at this time would be to ask both Secretaries to rescind until such time as the congressional committees have had time to study the action?

Mr. BURFORD. Yes, sir.

Mr. BARING. Or the Public Land Law Review Commission makes its report?

Mr. BURFORD. I would like to see it rescinded, held in abeyance until the Public Land Law Review Commission makes its report.

Mr. BARING. Mr. Chairman.

Mr. ASPINALL. Mr. Chairman. Mr. Burford, how do you feel the price of forage should be determined? How do you determine the price of forage as a livestock individual?

Mr. BURFORD. I feel that demand, accessibility, ease of operation, carrying capacities, the watering devices which are present on the land or which have to be—in areas which I am acquainted with, we have to haul all our water, sometimes 25, 30 miles, in trucks—all of these factors have to be considered in putting a value on that forage.

Mr. ASPINALL. Let me ask you one other question.

The nutritive value is not always the same in different public land areas, is it?

Mr. BURFORD. No, sir. There is a great difference between high country lands of the National Forests and the arid deserts in our area, as you are well acquainted with, that the BLM administers.

Mr. ASPINALL. The carrying capacity of the Bureau of Land Management land isn't necessarily the same in New Mexico as it would be in Idaho.

Mr. BURFORD. No, although they put the same fee on everything, which is strictly wrong.

Mr. ASPINALL. All right.

Mr. BURFORD. Thank you.

Mr. BARING. The gentleman from California.

Mr. CLAUSEN. Have you gentlemen been here throughout most of the hearing?

Mr. BURFORD. Yes.

Mr. CLAUSEN. So that you have heard most of the testimony presented?

Mr. BURFORD. Yes, sir.

Mr. CLAUSEN. Do you feel that the case that is being developed, the record that is being developed, is adequate to present what you think is a proper and balanced point of view in the whole area of agricultural economics as it relates to this question?

Mr. JACKSON. I would like to make one statement that I think hasn't been brought out.

Due to the economic condition that the livestock men are in, agricultural indebtedness has increased about three times in size in the past 10 years. It has been brought out in the hearing that the land banks and the insurance companies, that this grazing fee may affect their lending policies on land.

I'm a short-term lender. In other words, we lend on the chattels. But we also depend on land as additional collateral to our livestock loss. The land banks and the insurance companies basically loan about 50 percent of the valuation of land. That leaves the owner with another 50 percent equity in his ranchhold, and that is what the rural banks and the Production Credit Associations are using as additional collateral behind this land.

Now, we have heard mentioned here so many times that this may force people out of business. I would like to call to the attention of the Committee that we are losing farm and stockmen out of business at the most rapid rate ever in the history of this nation. That's going on today. And we are dependent, as short-term lenders, on the collateral value of these ranches. And this increase in the grazing fee is coming at a time when interest rates are high, operating costs are going up, stockmen are selling their livestock, cattle, calves, and lambs and wool at prices today less than we sold them for 15 and 20 years ago.

We are trying to operate at 74 percent of parity, which is impossible to do. And this proposed 400 percent increase in the grazing fees over the next 10 years will have an effect on the collateral value of these ranches and materially affect the borrowing ability of the stockmen.

Mr. ASPINALL. If my colleague would yield—

Mr. CLAUSEN. I would be happy to.

Mr. ASPINALL (continuing). This is Mr. J. H. Jackson, Rifle, Colo., president of the Production Credit Association, a position which he has held for the past 26 years.

Mr. CLAUSEN. Yes. I think that you have added something in the way of a very important ingredient to the record itself, because it is that sort of information that all of us are going to have to have as we weigh our ultimate decision, and I think that you made an excellent contribution.

I don't know if there is anything else that you feel needs to be incorporated into the testimony to tell the entire story, because one of my principal concerns here, in listening to the testimony, is the tendency to develop comparable values between public sector land ownerships and private sector, and I haven't really heard too much about the comparable risks that are so associated with private sector ownership, the fact that you have the kind of collateral potential as a result of continuity of ownership, all of these things. There hasn't in my judgment been enough credence given to this in the testimony that I have heard thus far. And I will want to read all of the comments that are made on both sides.

Thank you very much.

Mr. ASPINALL. If my colleague will yield now—

Mr. CLAUSEN. Yes.

Mr. ASPINALL (continuing). Mr. Jackson takes care of private operations just as well as some of those who operate on the public land area, too.

Now, what is the comparative value here?

Mr. JACKSON. Well, I think the comparison is that in leasing private land, in the first place, it is usually fenced. Sometimes it is irrigated. The stock are cared for by the owner. Private land is available to anyone, everyone. An out-of-State party can come in and lease private land and run livestock this year on it.

In order to obtain public lands, you first have to invest in commensurate property, and you must be commensurate. There are no public lands available now except through buying someone else out. And the value of the ranch land is tied directly with the permits that go with it.

My ranch, for instance, would carry a value with permits with it, where if the permits were sold off of it, it has no value as a livestock unit. So that it materially affects the valuation of the ranch property. And the comparison between that and private land then is based on the commensurability of the ranch, as I see it, if you follow me.

Mr. CLAUSEN. Yes. You heard the Deputy Director of the Bureau of the Budget—

Mr. JACKSON. Yes.

Mr. CLAUSEN (continuing). During his testimony where he outlined his own thoughts on what values should be applied? Were you here at that time?

Mr. JACKSON. Yes.

Mr. CLAUSEN. Could you give me your own evaluation of his comments as they would apply to the situation as you see it?

Mr. JACKSON. I don't know whether I remember his comments in that respect.

Mr. CLAUSEN. Well, as you know, he indicated that the permit itself didn't have any value. And that is the point. You have either ownership, a lease, or a permit, and I would like to have you just elaborate briefly on how you see it applying to this situation and what the Director's comments, how they fit into the picture.

Mr. JACKSON. As I mentioned a moment ago, John Doe's ranch carries a value as a stock operating unit because it has permits with it. Now, you wouldn't buy it at all if it didn't have permits, if it didn't have the permits; it wouldn't be an operating unit. So the permits have a direct bearing on the valuation of the ranch holdings. And any change in the number of head permitted or the time use permit has a direct bearing on the valuation of the entire ranch holdings.

It is impossible to do business, in other words, to buy or sell your ranch property, without taking into consideration the valuation of the permits.

Mr. CLAUSEN. Yes, sir. Your name for the record?

Mr. THEOS. I am Nick Theos, from Meeker, Colo., and I am vice president of the Colorado Wool Grower's Association. And I have also been a member of grazing boards in both Utah and Colorado for a good many years. I am also a member of forest advisory boards, and I am well acquainted with the policies of the Forest Service and Bureau of Land Management.

But a permit to me has always had a value. Even in the years of the, priority years when they were first issued, in 1935, you had to have private land holdings or buy private land to commensurate yourself to hold the permit. And that is the way they issued these permits at that time.

So even the people years ago paid for these privileges through buying private land to establish their rights to them, their privileges to them.

Mr. CLAUSEN. Well, I rather take it that you generally agree that something more definitive is needed to be accomplished here in developing the kind of land-use policy so that you know what you can plan on.

Mr. THEOS. Yes.

Mr. CLAUSEN. But your general view is, you feel that this is being properly considered by the Public Land Law Review Commission and that you would rather see this current recommendation suspended until such time as they have had an opportunity to finalize their report.

Mr. THEOS. That's right.

Mr. CLAUSEN. Thank you.

Mr. THEOS. Could I make just one comment?

Mr. BARING. Mr. Theos.

Mr. THEOS. Our constituents this morning took up most of it and they presented it very well, but I wish the whole committee was here because a lot of them don't know our situation real well. But the Taylor Grazing Act, to start with, was to establish a good, sound livestock industry and to encourage entrance into the industry. And this we are losing out on now.

Mr. ASPINALL. Also, it was brought into existence in order to regulate the areas that were being used illegally.

Mr. THEOS. That's correct.

You asked a question a minute ago, how we feel that this should be handled.

I think that the Government encouraged the use of public lands with minimum charges years ago when the Taylor Act was put on to regulate these lands, and now just before a lot of money was put up for this study, the Public Land Law Review Commission, and just before they are ready to come out with it, then they took this, they passed this on us.

And this we feel—we would rather let Congress be the governing power instead of the departments setting the fees for us.

Mr. ASPINALL. Mr. Chairman, I have a couple questions I would like to ask, and I don't care who answers them.

How did the base property owners get permits in the first place under the Taylor Grazing Act?

Mr. THEOS. In the priority years?

Mr. ASPINALL. Yes, 1935 and 1936.

Mr. THEOS. Well, you had to have so much private land to qualify yourself for so many animal unit months. And then you had to be within a certain distance of your range. That is on the BLM.

Mr. ASPINALL. How did the Administration, that is, the Taylor Grazing Act under its first director, Mr. Farrington Carpenter, how did they determine whether A was to get the land or B was to get the permit or C was to get it. How did they make these determinations? Was there any price paid for these permits at that time?

Mr. THEOS. No, not at that time, outside of the fact that you had to own land and be commensurate to get these permits. They were given—it was just like in the olden days when they would give you homesteads, and if you took care of them, you became a permittee or an owner—not an owner but a permittee—to run on these ranges, the same way as you did when you proved up on a homestead. And this is the way this country was developed, I understand.

Mr. ASPINALL. The Forest Service had to put the lands to use in a legal manner, is that right?

Mr. THEOS. Yes, sir.

Mr. BURFORD. The history of use in the years prior to the start of the Taylor, the years prior to when the Taylor Grazing Act was passed, you had to have a past history of use over what they termed the priority years or you could not qualify at all. You had to have been there previously, used it, and been there.

Mr. ASPINALL. And prior use was on unauthorized use at that time, wasn't it?

Mr. BURFORD. Yes, sir.

Mr. THEOS. One more thing that I might add. We feel that with these increases in fees it will further discourage any young man to get in the business. And we have already—I am about the youngest man running sheep any more, and I was the youngest man 20 years ago. So it discourages youth to get into the business, which is very vital to have for the welfare of this country.

Mr. ASPINALL. I have one other question to ask Mr. Jackson.

Isn't it true that the reason many of the permits changed hands or were transferred over to others was the fact that the Departments decreased the carrying capacity of the permits and the present operators

had to purchase a permit from their neighbors, neighbors who were going out of business because of the decrease of animals on the land areas, and the user couldn't continue so he sold to some other user who made his operation a little bit larger, isn't that true?

Mr. JACKSON. That's right, Congressman. That took place all through the West.

Mr. ASPINALL. All the time the administrators of the Bureau of Land Management, or the Forest Service, as far as that is concerned, were in charge of building up the forage on those particular areas, is that correct?

Mr. JACKSON. That's right.

Mr. ASPINALL. And when inclement Nature came along, unfriendly Nature, not necessarily inclement, but when unfriendly Nature came along and there was a dry spell or a hard freeze, then the carrying capacity went down and the livestock men went out of business, and others took over the operations.

Mr. JACKSON. That's true.

Mr. THEOS. If I may, to further answer a couple of questions that were brought up here today about the nonuse that has been taken, I don't know about the other States but in Colorado alone on the BLM, there are 190,000 head of cattle—on the Bureau of Land Management lands, 15,000 head are taken nonuse.

There's 434,000 sheep and there's 74,000 taken, suspended nonuse to build up the ranges. On the Forest, it's 174,398 cattle, 436,809 sheep that on the forest they are not taking any nonuse. They have just taken their cuts and that's it. And these ranges have been built up. In fact, on our ranges in the West—I have been on these boards and I know this for a fact—they have taken reductions up to 20 percent for wildlife use, multiple use, and we agree to this.

We had seen that it was, it had to be.

Mr. ASPINALL. For the hunter, who pays only a license fee and pays nothing else for the use of public lands, is that right?

Mr. THEOS. That's right. And use up, use all our facilities free of charge that we build with our own money.

Mr. ASPINALL. That's all I have.

Mr. BARING. The gentleman from Arizona.

Mr. STEIGER. No questions.

Mr. BARING. The gentleman from Wyoming.

Mr. WOLD. No, thank you. I have no questions, Mr. Chairman.

Mr. BARING. Gentlemen, I have quickly read all three of your statements, and I want to compliment each and every one of you. I think that you have given us a lot to work with here in the committee.

Thank you.

Mr. THEOS. We want to thank you for the time. We appreciate it.

Mr. JACKSON. Thank you.

Mr. BURFORD. Thank you.

Mr. BARING. The next witnesses are Thomas Kimball, executive director of the National Wildlife Federation; Dr. Alfred Etter, Defenders of Wildlife; Ted Pankowski, conservation associate, the Izaak Walton League; and Mr. Stewart Brandborg, executive director of the Wilderness Society.

Mr. ASPINALL. As I understand it, each one of these men have 15

minutes to make their presentation if they want to, and then we have the right to ask questions; is that correct?

Mr. BARING. Yes.

Mr. CLAUSEN. Mr. Chairman, may I interrupt just briefly.

I want to apologize to you gentlemen for the fact that I have to go to another committee. We have the water pollution hearings going on over in my Public Works Committee, Mr. Kimball, and I regret that I am not going to be able to stay to hear your testimony. But I assure you that I will read your comments very carefully. Secretary Hickel is coming before the committee. We have this oil problem in California.

STATEMENT OF THOMAS L. KIMBALL, EXECUTIVE DIRECTOR, NATIONAL WILDLIFE FEDERATION

Mr. KIMBALL. Mr. Chairman, members of the committee, in the interest of time, I think we would appreciate the privilege of submitting our statement as if read, and we will attempt to capsule the main points and allow some time for questioning and discussion, if this is permissible.

Mr. BARING. Without objection, your own statement will be admitted as if read.

Mr. KIMBALL. A couple of our affiliate people had hoped to be here yesterday and had to leave. We are hopeful, if this is permissible under the rules, to have their statements included in the record.

Mr. ASPINALL. This will be permissible, Mr. Chairman, as I understand it, but not as if read. They will just be submitted.

Mr. KIMBALL. Fine. They will be submitted for the committee's perusal, if this is agreeable.

Mr. ASPINALL. That's right.

Mr. KIMBALL. And I'm not sure how the other members of the panel here wish to present their testimony, but as far as I am concerned I would like to just capsule my remarks and give what additional time is necessary for questioning.

Mr. BARING. All right. We will hear all three of you first and then question you.

Mr. KIMBALL. Fine.

Mr. Chairman, this morning there was comment made that there are forces at work in this country that may desire to exclude what we consider special interests from the use of the public lands, and I would like to have the committee clearly understand that from our organization's viewpoint, the National Wildlife Federation, we do not want to become associated with those forces, if they are here.

We have long supported the multiple-use concepts of our public lands, and we consider livestock grazing as one of those legitimate uses when done conservatively and in the public interest. So I want that clearly understood from the outset.

However, we do have a feeling and a concern that perhaps there is some monopolization of the use of public lands by the grazing industry, and we think that the grazing-fee structure has considerable to do with this.

First of all, there is contention about whether or not this is a proprietary interest or whether this is a right rather than a privilege.

And regardless of how you cut it, I think if you take this scrap of paper that is called a grazing permit and you can sell it for a considerable amount of money or you can take it to a bank and borrow money on it, or if it is taken away from an individual possessing it by a Federal agency for a higher purpose, that the Federal Government itself pays that permit holder for that permit, it becomes more than just a privilege. It then becomes a property right. And whether or not attorneys say that this is legally right or whether it is legal or whether there are disclaimers by the livestock industry that concede that this is not a proprietary right, does not change that that value is there in money and that that is a pretty good property right when you can do those things with it.

Much has been said about the economics of the problem. We do not wish to pose any economic hardships on legitimate livestock operators. However, I think it only fair to point out that 50 percent, 52 percent—over 50 percent of all the grazing, the animal-unit months of grazing on our public lands are owned by 5 percent of the ranchers. So that we are talking about economic hardship—I find it difficult to believe that this is going to pose too much of an economic hardship on that particular group of ranchers.

But even so, were this the case, I think that Congress should explore the alternatives of maintaining this vested right. If they need economic assistance, then let's provide it in some other means. And I'm sure that most conservation groups would assist in promoting such a concept, that we, the Government does, the taxpayer does pay a subsidy in essence to many aspects of the agricultural industry, wheat growers, cotton growers, and so on. And if the livestock operator is not getting a fair return on his investment, then perhaps consideration should be given, but certainly not through giving him a vested right in the public lands.

Now, the very fact that I made the statement that I think this is somewhat of a monopoly, I think Congress recognized in itself when it enacted the Taylor Grazing Act. I have read that act, and unless my memory serves me wrongly, I can read no other consideration for other valid public uses in that act. There are some regulations that were enacted by the Department later that require a reasonable amount of the forage to be reserved for wildlife use, but this is not in the law. It is in an administrative procedure, as I understand it.

So that here we have, I think, the concept that a great many of the people of America who would like to utilize these public lands for general types of recreation find it difficult to do so. And as I recall, when our efforts were collected together to try and get some funds for recreational development on BLM lands, I think the chairman appropriately pointed out that the Congress had no authority to appropriate funds for recreational use on these lands.

And this led to the enactment of the Multiple-Use Act for the BLM which, as I understand it, is still a temporary act. And so Congress really has not gone on record as recognizing this great expanse of public land, that it is to be used for a wide variety of public purposes. If we are going to fall back on the Taylor Grazing Act as the primary law that we are going to use to administer all of our BLM lands, then it is for one purpose, and to me that is a monopoly, unless it can be changed some way.

Now, there is also a matter of economics that should be considered in that we have numerous instances where a livestock operator gets more money back in revenue from the sale of hunting privileges because he controls the access to public lands than he pays in grazing fees. And I think this has been documented, and I hope the committee would study it. And I can submit it, if not for the record, at least for the information of the committee, if they would like, a study which was done on public access to public domain lands, done by the U.S. Department of Agriculture, the Economics Research Service, under Miscellaneous Publication No. 1122.

Now, maybe these are isolated instances, but at least when I was Director of the Colorado Fish and Game Department about 10 years ago there was a million and a half acres of public land where public access was denied. Now, this was primarily because the access points were controlled by private land owners—

Mr. ASPINALL. Just a minute, Tom. I am not going to impose upon the committee, but I want you to temporize your statement a little bit, because that statement is to the effect that the immediate point of access was denied. There are other ways to get into that land, a million and a half acres, but the easy way, the recreationists wanted to take. I want you to stay within the facts here.

Mr. KIMBALL. Well, Mr. Chairman, the easiest access—you know access is a matter of view, but some of those areas that you say have easy access, it would take many hours and many miles of travel even to get into the area. But in any event, this document is also available. I think the main point I want to make is that there are problems of the recreationists' feeling that these lands are available for recreation use.

And that if there was some way that we could take care of the problems of the legitimate livestock operator and convince the general public that these lands were also available for recreation use, then I think we would have our problem solved. But to attempt to perpetuate a proprietary interest by maintaining this differential in actual value between what an individual would have to pay for land if he had to go buy forage, and what the Government sells it to him for, we are convinced is not the proper approach.

(The complete prepared statement of Mr. Kimball, above-referred to, follows:)

STATEMENT OF THOMAS L. KIMBALL ON BEHALF OF THE NATIONAL
WILDLIFE FEDERATION

Mr. Chairman, I am Thomas L. Kimball, Executive Director of the National Wildlife Federation, which has national headquarters at 1412 Sixteenth Street, N.W., here in Washington, D.C.

The Federation is a private organization which seeks to attain conservation goals through educational means. The Federation has independent affiliates in 49 States. These Affiliates, in turn, are made up of local groups and individuals who, when combined with associate members and other supporters of the National Wildlife Federation, number an estimated 2½ million persons.

We welcome the invitation to participate in these hearings.

Mr. Chairman, the National Wildlife Federation long has supported the principle of multiple use. We supported this concept when it was applied to national forests by Act of the Congress a decade ago. We supported proposals which became the Multiple Use and Classification Acts when they first were advocated for application to the public domain, even if on a temporary basis

until the Public Land Law Review Commission completes its work. We recognize that grazing is a legitimate use of public lands, along with watershed protection, and production of water, timber, minerals, and wildlife. However, we do not think grazing should be the dominating influence and this is a major reason why we are accepting the invitation to appear here today to testify in support of the new, recently-imposed fees.

A person adept with words once described the public domain as the National Stepchild. Largely it is the residue of property leftover after the best portions were homesteaded or given away in a variety of grants. These lands have been abused and plundered in a multitude of ways. They have been overgrazed badly, with erosion and lowered water production the inevitable results. They have been fenced in many places, to the detriment of public resources such as big game. In all too many instances, the public even has been barred by livestock permittees from reaching and using its own lands.

Low grazing fees have meant that Congress has not seen fit to appropriate adequate money for range rehabilitation, nor for enough employees to even enforce trespass regulations. This evidently is the way the livestock people wanted it, for they have consistently opposed proper funding for BLM Administration.

This is a major reason why conservationists want to break this stranglehold or near monopoly on lands which rightfully belong to all of the people. The time has come to support the elimination of the proprietary interest of grazing and permit holders by requiring the payment of full value for public forage. These lands constitute great public assets and they must be managed correctly and efficiently by an adequate staff of competent professionals.

Significant issues are involved in the new grazing regulations. *First*, the public should get full market value for its forage, and we are in accord with this principle. *Second*, the new fee structure goes into effect over a ten-year period, thereby giving relief to livestock operators but also recognizing that lands not needed for municipal or industrial purposes are to be retained in Federal ownership. We also agree with this procedure. *Third*, by denying claims of the livestock industry for capitalization costs, the Federal Government rejects efforts to magnify what now is a "privilege" into a vested "right".

In our opinion, Mr. Chairman, the last point is of paramount importance. If the capitalization viewpoint prevails, the grazing permittees can claim rights over all other uses of the lands. In fact, they probably even would seek compensation from the Federal Government for a reduction in A.U.M.'s of use, or for any interference whatever that conceivably might affect the production of livestock.

This capitalization claim is based upon a false premise. It is predicated upon a premium value which one livestock operator will pay another for the privilege of transferring the permit—a value which goes with the land. In reality, this is a frank admission that a permit is a blue ribbon bargain, a subsidy—one we believe that the Federal Government should gain rather than a favored few livestock operators. However, it is one in which the Federal Government has not benefited. Since the cost of a grazing permit has been made the principal issue of this hearing, perhaps the committee should also consider allowing livestock operators to include "association fees" in the cost of operation when a portion of this expense is used to lobby against the rates themselves.

The capitalization claim calls for annual recognition of a 6% cost in perpetuity, even though an operator may not have ever made any investment whatever in a permit value. This is based on a \$14.41 permit value or differential between the cost of a BLM permit and that for rental of private lands (the Forest Service differential is \$5). The utter fallacy of this approach is shown in the fact that a higher differential, also capitalized at 6%, actually could result in the Federal Government paying a permittee to graze on public lands!

Mr. Chairman, why should the Federal Government sell forage at prices ranging from three to ten times less than that paid for private lands?

Frankly, I have wondered why the great majority of livestock producers do not complain about this unfair competition from the operators who have subsidized grazing privileges. The only answer appears to be found in the fact that forage produced in these Federal land (both BLM and Forest Service) constitute such an insignificant part (1.5 percent) of all cattle and sheep feed consumed in the 48 contiguous states.

The livestock industry also has been highly vocal in its allegations of damages which the operators would suffer. However, figures show that the fee in-

crease will have no effect on more than one-quarter of the operators for six years. These now pay the minimum fee of \$10. In reality, those who oppose the Government obtaining fair market value for grazing use are trying to protect principally the 11.4 percent of the BLM permittees who get 74 percent of the forage!

If the Subcommittee will investigate, some very interesting and pertinent information can be obtained. Mr. Robert C. Lyman of Miles City, Montana is a member of a BLM District Advisory Board. A respected expert on the role and impact of public lands on ranch, community, and county economies, Mr. Lyman tells of widespread subleasing, with profits realized by persons who never own a head of livestock. Permission is requested, Mr. Chairman, to have Mr. Lyman's complete statement inserted in the record. Other information shows that permittees are professional or business people not dependent upon ranching for anything put, possibly, a "tax dodge."

Conservationists generally do not question the need for subsidies to most Agricultural Commodities, including forage for livestock operators. We strongly oppose, however, that this subsidy be used to establish proprietary interest in our public lands that turn privileges into rights. Couple this with the BLM procedures which authorize improvements to be placed on public lands with at least a portion of expenses paid by the grazing permittee giving additional proprietary interest. Can you imagine what would happen if the government determined a portion of this same public land at some future date was needed for some other public purpose of higher priority? The government would find itself in the most embarrassing position of having to pay a grazing permittee for the use of public land for another public use of higher priority, simply because the actual value of grazing the land was not assessed in the first place.

Public land grazers have often pleaded for security of tenure and conservationists generally are sympathetic to this cause. However, tenure should not be established by turning privileges into rights, but once fair value for forage has been determined to permit continued grazing by the same permittee as long as another use of higher public value does not pre-empt continuation.

I should like to make one final observation in conclusion, Mr. Chairman. We have been disappointed that the public cannot benefit from these bargain-basement grazing leases in at least one way. We have asked, to no avail, that the permittees be required to grant access through their property to public lands as a part of the permit. Many of these permittees are charging high fees from the public for the mere privilege of going through their lands to hunt on Federal property, and we do not think that this is a fair or reasonable treatment of taxpayers. Two-thirds of our National landscape is in private ownership and meets the same proportionate share of outdoor recreation burden. As our human population grows, the cost of a quality recreation experience on private land will increase, resulting in an ever-increasing segment of our population that will be priced out of recreation on private lands. If we do not preserve our public lands unencumbered by proprietary rights of single users, there will come a time when many of our citizens will not have the opportunity to participate in any type of a quality outdoor experience.

In summary, Mr. Chairman, we commend the Subcommittee for scheduling this hearing. It has aired many aspects of a controversy. However, we recommend that the Subcommittee take no action to overturn the Executive Branch directive.

Again, we thank you for the opportunity of making these remarks.

STATEMENT OF ROBERT C. LYMAN, MILES CITY, MONT., MEMBER, BLM
DISTRICT ADVISORY BOARD

I am Robert C. Lyman of Miles City, Montana. I am a member, and have been for many years, of a BLM District Advisory Board. Additionally, I have served on a number of public land and study groups for various organizations and am presently a member of the Governor's committee studying the multiple use of State lands. My special area of interest has been the role and impact of public lands on ranch, community, and county economies.

The press releases and public statements coming from the campaign against a reasonable public land grazing fee frequently have departed so far from the

truth that I felt compelled to undertake a study of the situation and to prepare remarks for this hearing. I cannot urge too strongly that we all look beyond some of the less than responsible cries, charges, and counter charges that have been made. Hopefully, some of the information I have to present will be of help to this Committee.

Fees charged livestock operators who graze cattle, sheep, and horses on public lands managed by the Bureau of Land Management and Forest Service have been under intensive study for over two years. According to this recently completed study, the rates charged for public land grazing are far below the market value of the forage. That is, rental fees received by owners of private range of similar character are much greater than those received by the Interior and Agriculture Departments.

Ranchers with permits to graze livestock on public lands administered by BLM have been paying 33 cents to graze one full-grown cow or five sheep for one month. No charge was made for calves under six months of age. National Forest permit holders paid an average of 55 cents per month per adult cow.

The study showed that the fees paid for comparable forage on private lands ranged from three to ten times that paid for public lands. The Secretaries of Interior and Agriculture would gradually raise the public land grazing fee. Under the changes they have adopted, a new base fee of \$1.23 per cow month was established, with consideration to be given annually to the average price of private forage.

To lessen the adverse impact upon public land grazers, the new base would be achieved over a ten-year period. For most of those using BLM lands this would mean a 9-cent per year hike in grazing fees, plus or minus one or two cents depending upon private forage prices. Under the change adopted, the fee for 1969 would go from 33 cents to 44 cents per cow month.

The livestock people apparently do not argue with the methods or findings of the million-dollar grazing fee study. In fact, the American National Cattleman's Association had an economist working on the study. As far as is known, all the results of the study were concurred in by all. The central issue and argument—after all the emotional cries have been eliminated—appears to be the public land grazers' insistence that "permit value" be recognized and capitalized.

What is this thing called permit value? Under existing law and regulations, grazing permits attach to private ranches. As a result, a ranch buyer normally expects to get the permit that attached to the property when public land grazing was first divided up. So, when an individual buys a ranch which has a permit to graze on national forest or public lands, he pays a premium in addition to the base price. That premium, generally called permit value, averages about \$14.50 per cow month for BLM grazing permits and \$25.00 for permits on the national forests. Permit value developed because of the very low fees that have always been charged for forage on public lands and the absence of competitive bidding. In other words, low forage costs and the guarantee of no competition are valued by ranchers, and they are willing to pay premium prices for it.

Those grazing on public lands say they support the concept of fair market value. But they insist that the Federal Government capitalize permit value at six percent a year in perpetuity. This would be subtracted from the grazing fee. In the case of the proposed \$1.23 base fee for public land grazing, 86 cents (6% of \$14.50) would be subtracted, leaving a grazing fee of 45 cents. If the permit value increased to \$22.17 a cow month, the permit holder would pay no fee. Carrying this approach further, in theory any higher permit value could end up with the Federal Government actually paying a rancher to graze livestock on the public lands. I suggest that any such arrangement is untenable and grossly unfair to the American taxpayer.

Thousands of operators running livestock on public lands paid nothing for their permits. By the accident of being there, they acquired permits when the range was divided. How do we separate out these operators? Should they be paid for permits they got for nothing?

Following the announcement of the Secretaries of Agriculture and Interior of the proposal to raise the grazing fee, I read and heard much. It soon became apparent that an all-out campaign had been mounted to defeat the proposal. The campaign itself did not disturb me, but what was being said did. So, in an effort to get to the facts, I undertook a short study. What I found out should be of considerable concern to all of us:

1. Nationally, 5 percent of the operators with BLM permits control over 52 percent of the grazing. Going a little further, one finds that 11 percent of those

with BLM permits control over 74 percent of the grazing. As a prominent livestock operator observed, "It looks to me like about 10 percent of the public land grazers—those with the biggest operations—are making about 90 percent of the noise on this fee business."

2. Nationwide, about 25 percent of the permits for BLM range are for less than 100 cow months of forage. In Montana, this involves almost 35 percent of the permits. The average livestock operator in this group would not be affected by the proposed fee hike for three or four years.

3. The low grazing fee on Federal range has encouraged widespread subleasing. For example, in the Eastern Montana BLM grazing districts of Billings, Lewistown, Malta, and Miles City, over 50 percent of the BLM forage that is sold is subleased. In the Lewistown District alone, it's over 90 percent! The rates charged for this forage range from 10 cents to \$4.42 per cow month *more* than that charged by BLM. In other words, about 60 percent of the BLM forage in Eastern Montana goes to the individual livestock operator through middle men and organizations *at rates up to fourteen times the BLM rate*.

4. In the past two years, one banker I know has purchased four ranches with sizeable public land grazing permits. He doesn't run a cow. Instead, he subleases for an average of \$4.25 per cow month. He pays nothing toward the purchase of those ranches. What he makes from subleasing Federal range carries the payment. If this were an isolated case, I would not be too concerned. But I am sure that many of us know of a number of similar cases. My point is—should public grazing be stabilizing the livestock industry, as intended by the Taylor Act, or should it be lining the pockets of a growing number of middle men? And, if we're going to continue to finance the subleasing people with public grass, should not Uncle Sam be getting a larger share of the "action"?

5. Through the sale of forage to State grazing districts in Montana, who in turn sublease to individual operators, Federal lands provide over \$100,000 a year to support State grazing district and Montana Grass Commission costs. In turn, these funds are regularly used to organize and lobby against the Federal agencies. How long should the American taxpayer permit this to continue?

6. The BLM collects on an average only about 30 percent of what the States charge for grazing on comparable State lands. In Montana, it is about 50 percent. Lease fees on Indian reservations range from \$1.00 to \$2.50 per cow month in spite of such things as 30-day cancellation clauses in the leases. The Northern Pacific Railroad in Montana charges \$1.80 and is going to \$2.50 for short-term leases adjacent to 33-cent BLM lands. Private leases where *all* costs are borne by the lessee regularly cost \$4.00 or more per cow month, with "waiting lines" ready to buy the forage. In Dillon, Montana, a few weeks ago, \$5.325 per cow month was bid for public land winter range.

The cry is that a 400 percent, unreasonable increase is being proposed over the 33 cent fee now charged by BLM. Yet, when the new base is reached in ten years at 9 cents per year, the return for Uncle Sam's grass will still be less than half that obtained for comparable private grass now. Recent bids for public land grazing by BLM permit holders—in those rare cases where bidding is possible—ranged from \$1.50 to \$4.00 per cow month.

Last December I participated in a joint meeting of two BLM Advisory Boards in Eastern Montana. Those Boards not only agreed that a move toward a reasonable fee was warranted, but they also approved the increase of 9 cents per cow month per year for at least five years. Additionally, they approved tying the computation of the fee to the average price of private forage. These two Boards represent about 1200 Eastern Montana ranchers that use the public lands.

A number of prominent livestock operators have told me that they oppose what amounts to the continued subsidizing of a small minority of the livestock industry. They also say that low fees for a few perpetuate unfair competition with the stockgrower who has to pay taxes on his deeded land and market prices for grazing leases. As one rancher with no public lands told me, "I get socked twice by the low public land grazing fee. Not only do I have to compete against low-priced grass, but my private lands have to carry higher taxes because there are no taxes coming from the public lands."

I have talked to a number of county officials concerning the hike in public land grazing fees. These county officials, hard pressed in their search for new sources of revenue, expressed support for the increase. Because they share in Federal grazing receipts, they see a possible fourfold increase in money coming

to the counties in lieu of taxes. They also see a possible fourtime increase in the range improvement fund, which benefits local economies through rangeland developments. In the legislation that has been introduced to force recognition, or capitalization, of permit value, has consideration been given to what will happen to the in-lieu payments going to the states and counties? Is the Congress prepared to reduce or eliminate monies that are particularly critical to counties with heavy concentrations of public lands? Surely increasing permit values and fixed capitalization rates would have to reduce and, eventually, eliminate the base from which in-lieu payments are derived.

Several Senators and Congressmen have indicated that the Taylor Grazing Act should be amended. I suggest that any amendment of the Act at this time might be premature. Has not the Public Land Law Review Commission specifically been charged with the task of reviewing this Act for adequacy? But if the ACT is to be opened to amendment in advance of the findings and recommendations of the Land Law Review Commission, then I urge that the job not be done piecemeal; that the entire Act be tested for adequacy in light of the challenges of 1969. To this end, I urge Committee consideration of the following:

1. With few exceptions today, "Uncle Sam" receives fair market value for his resources. Timber, oil and gas, gravel, and land sales are by bidding with fair market value as a base. Even copies of records are sold at fair market values. Royalty payments, when appropriate, are in line with those being received in the private sector. Is it not time for the American taxpayer to receive fair market value for public land forage resources also? I urge that any amendment of Section 3 of the Taylor Grazing Act clearly establish fair market value as the only basis for the sale of public forage.

2. There is a need to clearly establish that public lands are publically owned for public use. Such is inhibited by Section 18 of the Taylor Act, which limits District Advisory Board composition to stockmen and one wildlife representative. No other interests can be represented. If the Taylor Act is to be amended to benefit all Americans, it should provide for bona fide multiple use advisory boards at the district level.

3. Section 6 of the Taylor Grazing Act clearly prohibits any restriction of public ingress and egress to the public lands. Yet millions of acres are effectively barred to public use by interspersed private lands; illegal posting bars access to millions of additional acres. If public lands are to become truly public, then the Taylor Act, possibly Section 6, should require the guarantee of public access as a requisite to the granting of a lease, license, or permit.

4. There is an apparent need for standardization and an increase in the amount of grazing receipts returned to the states and counties in lieu of taxes. In most instances, such monies now are considerably below taxes being received from comparable lands.

5. If the Taylor Act is to be amended to recognize permit value, I urge that this Committee:

- a. Develop a means to identify those who paid nothing to acquire their permits and eliminate them from consideration for compensation;

- b. Provide for the compensation of those who purchased permits, such compensation to be limited to permit value at the time of acquisition; and,

- c. Authorize the appropriation of sufficient money to purchase all outstanding permits, and thereafter offer all public land forage for sale through bidding at public auction.

STATEMENT OF STEWART M. BRANDBORG, EXECUTIVE DIRECTOR, THE WILDERNESS SOCIETY

Mr. BRANDBORG. Mr. Chairman, I am Stewart Brandborg of the Wilderness Society. I would ask that my complete statement be carried in the record of this hearing. I would wish to emphasize, as Mr. Kimball has, that the Wilderness Society sees that the grazing lands within the jurisdictions of the U.S. Forest Service and the Bureau of Land Management play a very important part in the economies of western communities.

They are an important part of the livelihood of ranchers throughout the Western States. We feel very strongly that through the Multiple-

Use Acts that apply to the national forests and the public domain lands we now have an opportunity to manage these grazing lands more intensively than ever before in our history. We see that these lands provide a multiple-use opportunity, a multiplicity of opportunities. They will give us not only forage for livestock but opportunities for diversified recreation, for watersheds, for scientific study, and many other things.

We feel that the new regulations that have been promulgated for the management of these lands by the departments are vitally important. They are in keeping with the multiple-use approach that is called for under the Multiple-Use Acts that apply to the Department of Agriculture and the Department of the Interior jurisdictions.

We believe that the fee schedules, as proposed and now promulgated by the two departments, are an essential and an integral part of the stepping up of our management of these range lands. We fully support the fee schedules as they have been proposed.

We recognize that 52 percent of the grazing lands within BLM jurisdiction under the grazing permits are allotted to only 5 percent of the users, less than 700 ranchers. We are particularly concerned about the small rancher. Many of us within the Wilderness Society have members of ranching families. Many of us feel that the small rancher is an important part of our western economy.

We are not so concerned about the large corporate rancher who has diversified holdings, who is so situated that he does not feel the full brunt of the economic changes that are placing a great challenge before the small operator. The small operator is the person who we feel gets the big impact of economic change and some of the real problems which are faced by the cattle or sheep rancher. We think that direct steps should be taken to subsidize the small rancher other than by establishing claim through the permit system to the use that he holds on the public ownership.

We associate ourselves with the comments of Mr. Kimball and the National Wildlife Federation in urging that we avoid the permit system that gives the rancher a vested claim to the public lands within either the BLM or Forest Service jurisdictions.

Now, this discussion has been going on for years and years. We realize that these proposed changes in the fee schedules reflect the intent of the Comptroller General who in 1958 and 1959 recommended the elimination of present inconsistencies in charges for grazing on Government lands which are managed by the different Federal agencies.

We feel that we should see fair compensation for the use of these public lands at this time. And we feel that the proposed and recently implemented grazing fee schedules provide for this.

We object to the proposal that the capitalized value of the grazing permit be considered as an operating cost and thus be deducted from the proposed grazing fee. The recognition of the permit value in consideration of the grazing fee appraisal would give the livestock users a vested property right in publicly owned grazing lands. This would represent a dangerous first step in abrogating the rights of the American public for access and use of the public lands of our Nation which are administered by the Bureau of Land Management and the Forest Service.

Through this recognition of such a vested right, permittees could ultimately control access and use and management of the public lands. The other multiple uses would then become secondary with wildlife, recreation, watershed, and other values not receiving adequate consideration. Thus, we would see a basis for fencing out recreationists and other users of the public lands.

In our experience in dealing with wilderness lands throughout the United States, we recognize a great degree of compatibility between the livestock owner and the public ownerships which are dedicated for wilderness uses. We see that the ranchers and the ranches along the foothills of most of our high country wilderness area provide a wonderful setting for the back country and wilderness that may be designated administratively by the Bureau of Land Management or under the requirements of the wilderness law, in the case of the national forest areas.

We see that the ranchers' operation, in most cases, is completely in keeping with these wilderness opportunities and within the management concepts that are followed by the two agencies in administering these areas, and in making them available for grazing use. As you know, the wilderness law permits the continuation of grazing within the national forest wilderness lands that are dedicated under the procedures of the wilderness law.

Many of our western ranchers are very fine and very stalwart wilderness advocates. Many of them have given strong support to the designation of wilderness areas under the requirements of the wilderness law. A number of them have appeared at local field hearings and before this committee in support of wilderness designation proposals and in support of the wilderness bill itself.

We would urge this committee to consider carefully any steps that it might take which would abrogate or change the fee schedule which has now been put into effect by the Departments of Agriculture and Interior.

(The complete prepared statement of Mr. Brandborg, above-referred to, follows:)

STATEMENT OF STEWART M. BRANDBORG, EXECUTIVE DIRECTOR, THE WILDERNESS SOCIETY

Mr. Chairman, I am Stewart Brandborg, Executive Director of The Wilderness Society. The Wilderness Society is a national citizen's organization of some 45,000 conservation-minded members who are deeply interested in the preservation of our nation's remaining wilderness lands, and who are also interested in the management of recreation and commodity resources on the lands administered by the Bureau of Land Management and the U.S. Forest Service. The Wilderness Society thus reflects concern of the public in responding here today to the Committee's invitation to comment on the grazing regulations and fee schedules which have been adopted to implement the Classification and Multiple Use Act of 1964 for lands under the administration of the Bureau of Land Management, and to manage grazing lands in the National Forests and Grasslands.

We are pleased to see that these new regulations and fee schedules provide a basis for the development of comprehensive plans of multiple use management and protection. They fulfill the requirements of the Multiple Use statutes by providing a pattern for coordinated planning and management of lands within the jurisdictions of the Bureau of Land Management and the Forest Service. They represent to us a highly significant and far-reaching first step which promises to bring to this nation and its people the full benefit of the rich public

estates of the National Land Resource and the National Forests with their diversities of commodity and recreational resources.

Too long have we waited for the new and modern perspectives that these laws bring to us. The benefit that these lands can yield to our country under carefully developed and broadly oriented land use plans are now, for the first time, within reach. The new regulations provide the foundation for greatly increased production of timber, forage, and livestock as well as the protection of wildlife, natural areas, scenic landscapes, and recreational and wilderness resources.

The Wilderness Society recognizes the important role that BLM and National Forest grazing lands have played in supporting our Western livestock industry. We are aware also that these public ownerships have contributed a steadily increasing volume of timber to mills and dependent wood product industries. The criteria, being reviewed here today, give us the expectation of an ultimate increase in production from range lands through the intensification of management efforts. These efforts, we believe, are long overdue, and both the Departments and the agencies are to be commended for the progress that has been made within a relatively short period in applying new management programs.

These new programs can bring great increases in the productive capacity of the public lands which have been devoted to grazing and other commodity purposes. As their production of food, forage, and fiber increases under more intensive management, it will become increasingly obvious that those lands which have been designated, or are designated in the future, for recreational uses—for wildlife or the preservation of scenic and natural values—can be managed and protected for their specific purposes without impact upon commodity production. In the absence of more intensive management of areas devoted to commodity purposes, so that they can better produce in increasing amounts, it will become increasingly difficult to hold to our decisions to preserve and protect the lands that we dedicate to recreational and wilderness purposes.

The Wilderness Society supports the proposed amendments and revisions of the regulations and grazing fees for public lands under the jurisdiction of the Department of the Interior and also the proposed new regulations and fees proposed by the Department of Agriculture as published in the Federal Register on November 16, 1968.

The proposed changes reflect the intent of the Comptroller General, who in 1958 and 1959 recommended the elimination of present inconsistencies in charges for grazing on government lands managed by different federal agencies, and who recommended also that fair compensation for the use of these public lands be received. He further proposed that a joint study be undertaken with the objective of arriving at a uniform basis for establishing the grazing fees.

The proposed changes in the grazing fees of both the Department of the Interior and the Department of Agriculture are in keeping with the general government policy for all federal activities of obtaining a fair market value for the services and resources provided to the public through the establishment of a system of reasonable fee charges. The revised regulations strengthen the multiple-use management of this public resource by giving recognition to wildlife, recreation, watershed, and other values.

We endorse the proposed changes in the regulations which would establish grazing fees that reflect the fair market value of the range resources, and that give needed authorization for their annual adjustment. The revisions proposed for the simplification of administrative procedures will allow flexibility to ranchers who operate under an approved allotment management plan. This reflects an essential concern in the Departments for improved quality and greater intensity of management on these grazing allotments.

The proposal to adjust the indicated fair market value of the grazing fees within a ten-year period seems fair. It reflects concern for the livestock operation by providing yearly fee increases which will permit the rancher to go through a gradual adjustment in his operation.

We object to the proposal that the capitalized value of the grazing permit be considered as an operating cost and thus be deducted from the proposed grazing fee. The recognition of the permit value in consideration of the grazing fee appraisal would give the livestock users a vested property right in publicly owned grazing lands. This would represent a dangerous first step in abrogating the rights of the American public to full access and use of the public lands of our nation which are administered by the Bureau of Land Management and the

Forest Service. Through this recognition of such a vested right, permittees could ultimately control access, use, and management of the public lands. The other multiple uses would then become secondary with wildlife, recreation, watershed, and other values not receiving adequate consideration. Thus we would see a basis for "fencing out" recreationists and other users of the public lands.

This threat to the public's use of our public lands must be clearly recognized, along with the fact that big game and other wildlife have a rightful claim to the forage and cover of our National Forests and National Resource Lands. These public ranges support the greater part of our Western big game populations, as well as many smaller species which are of great importance to recreational users and scientists.

The definitions of multiple use which are contained in the Multiple Use statutes of the Bureau of Land Management and the Forest Service furnish a broad base for evaluation of the lands and resources within their administrations. They assure the opportunity for careful study of all potential values that may be realized from this vast public ownership. They will permit the protection and management of lands for the preservation of their scenic, wildlife, wilderness and other values, where such protection and management are found to be essential to the preservation of these resources even though such preservation will not always bring "the greatest dollar return." This is as it must be, if the quality and the diversity of outdoor experience are to be maintained for the American people and the great recreational values of some of these lands are to be realized.

The proposed land classification and management criteria of BLM are comprehensive. In general, they place proper emphasis upon a broad spectrum of public uses and benefits. They are realistically considerate of local economies and the needs of State and local governments. They assure consideration of the importance of outdoor recreation resources, their relative scarcity, and the public's need for them. They take into account the needs of a rapidly growing population at a time when we must prevent urban sprawl and assure the protection of basic resources including soil, watershed, wildlife, wilderness, and recreation resources.

The criteria for classification for disposal appear to set firm requirements and procedures for assuring that any lands which are relinquished from the public ownership will be managed wisely for specified purposes of local communities or for farming of cultivated crops. Their requirement, that comprehensive community plans and zoning regulations be enforced to assure the use of these areas for the purposes which are specified, is an important safeguard.

In general, we have encouraged the retention and management of lands by the Bureau. We urge that the requirement for retaining lands in public ownership for the wilderness preservation purpose be fully employed to meet the opportunity for this purpose that the Classification and Multiple Use Act of 1964 affords.

This Act clearly authorizes the Bureau to retain lands for wilderness preservation purposes as one of ten specifically cited land uses. Its authorization permits the protection and preservation of these areas for the multiplicity of recreational, scientific, and educational uses that can be provided by wilderness areas. It thus authorizes the Bureau of Land Management to retain and manage these lands for the preservation of their wilderness and primeval environments.

The language in paragraph (1) of Section (i) (Wilderness Preservation) of the regulations (2410.1-2) permits designation and the continuing protection of wilderness lands in BLM's jurisdiction under the 1964 Classification and Multiple Use Act. This paragraph serves as a guideline for management of public domain wilderness lands using as a standard the wilderness-preservation principles of the Wilderness Act.

It must be firmly recognized that the "values of wilderness" represent a wide range of educational, scientific, and recreational uses encompassing both tangible (monetary) and intangible benefits to people who use and enjoy wild and primitive country. It is important to note in this connection that the principal characteristic of wilderness is the wild quality of the land. Wilderness, as such, should be a principal criterion in determining the suitability of an area for preservation as wilderness. Wilderness wherever we find it—in the desert, the snow-capped and rugged mountain ranges, the swamps and marshlands, the frozen expanses of the Arctic—has this wild quality in common. What may appear as a special feature of scenic beauty, or as a special and unique focal point of interest within one or more given areas should not be considered as a requirement or standard for wilderness as it is found elsewhere. Thus the qualities of a given scenic or topo-

graphic feature, or an interesting and unique representation of plant and animal communities, while contributing to the special significance and value of an area and making it unique in comparison with other units of wilderness land, should not be considered a requirement to be placed upon other wild land areas that may be considered for preservation as wilderness. Wild lands should be preserved wherever they "have wilderness characteristics" of public value which warrant Federal ownership to ensure their preservation.

We feel that the elaboration of the standards and requirements for management and development of habitat for fish and wildlife, and for other outdoor recreational purposes, are basic to the fulfillment of long range opportunities within the public ownerships administered by BLM and the Forest Service. If these lands are developed for recreation purposes during the next decade, they can play a vital role in satisfying recreation needs where heavy use and demand can best be accommodated under the comprehensive regional planning by Federal, State, and local governments as they implement programs called for by the 1964 Land and Water Act. We feel strongly that the new regulations and grazing fees which have been adopted for these lands are an important part of multiple use planning efforts. The newly established grazing fee increases of the Departments of Interior and Agriculture meet the need to put grazing, as one of many multiple uses, on an equitable basis with other uses of these publicly owned lands.

I very much appreciate the opportunity to present these comments here today. Thank you,

Mr. BARING. Mr. Etter.

STATEMENT OF DR. ALFRED G. ETTER, ASPEN, COLO., ON BEHALF OF DEFENDERS OF WILDLIFE

Mr. ETTER. Mr. Chairman and members of the committee, I represent Defenders of Wildlife. My own qualifications for this include obtaining a Ph. D. in the study of pastures and grasses, grazing management, and my brother is a farmer, area man, and I am fully aware of the problems that exist in relation to the small farmer and small rancher, in fact, some of the big ones, too.

I resent in some degree being classified as opposition. I feel——

Mr. ASPINALL. Mr. Chairman, Dr. Etter, that's my fault. That is my fault. I should have read your statement before I had you come up.

Please go ahead.

Mr. ETTER. Well, I really wasn't blaming you, Mr. Aspinall. It is just a normal human——

Mr. ASPINALL. I understand.

Mr. ETTER (continuing). Assumption that there are two sides to every question, and I think what we are all after is to focus in on the problem and find a solution to it, and that has been my effort in my statement.

I will read my statement because I made it short on purpose.

I will begin down here where it says our concern about the condition of the public lands and about the wildlife, or lack of it, on these lands is what prompts us to appear here. We are also concerned about the well-being of the livestock users of these lands, and we realize that the better off the rancher is, why the better will be his use of that land.

I would also say that this material is a continuation of what I presented before the Senate committee on the same subject.

Now, in the past, the public lands and many private lands in the semi-arid West have been depleted of their original fertility, plant cover, and soil material, and this loss has been caused, in large part,

by the poorly distributed or excessive grazing and browsing of sheep, cattle, goats, horses, deer, elk, and antelope.

Economic factors, such as the desire to give the nonranch population a price break on meat, has been a predisposing cause of exploitation of the original soil capital, and so we only blame the stockman insofar as he has been a willing, and not very perceptive, tool of this process.

While we realize that grazing pressures may have been reduced considerably in recent years, this does not automatically restore the fertility drained away during 50 to 100 years of intensive use. Efforts to restore these lands have been made, but they have been applied to a pitifully small fragment. Recovery in many cases will require decades, and some lands will never recover.

Lost productivity is the basic problem underlying much of the controversy over fees, because if the grazing lands retained their original capacity, the proposed fee increase would amount to only a trivial proportion of that capacity.

Some grazing lands with which we are familiar once carried 150-animal unit month per section, but have declines to 30-animal unit month, a fivefold reduction in productivity. Put in terms of dry-matter production, this might be equivalent to a drop from 2,500 bales of hay per section to 500. If we assume that 10 bales of hay would pay the **grazing fee** in each case, the grazer in the early days would have spent only one two-hundred-fiftieths of his production on the fee, while his son has to spend one-fiftieth.

And, parenthetically, we might say that this accounts for the movement of the son to the city.

He would still not be in as bad shape as the man on poor BLM land where the production of feed in hay equivalents might be only 100 bales per section. In this case the fee of 10 bales would represent one-tenth of his fee. If the fee were doubled, the Government's share would take one-fifth of the yield and would obviously be prohibitive.

While there are some adjustments for range quality in fee schedules, they do not allow for fluctuations like this, and the man on depleted land is at a serious disadvantage. Even if his stock ran from plant to plant 24 hours a day, they still might not survive. In so doing they would lose weight, and would be far more exposed to predation and other causes of death loss. Probably for these and related reasons many of the ranchers objecting to fee increases operate in areas where natural productivity is quite low.

Now, as to this value of a permit, there has been much debate about whether a permit has any value or not, and whether this value should be taken into consideration in the higher mathematics used to calculate fee increases. Thus Karl Shisler, president of the Utah-South Idaho Farmers Union is quoted in the recent testimony of Reuben L. Johnson, director of legislation services for the National Farmers Union before the U.S. Senate subcommittee on February 28 as follows:

* * * grazing permits in these States (Utah and Idaho) are being sold for approximately \$14 to \$25 per animal unit month.

How does this supposed value arise? Let us take a look at a specific case. The Aspen District of the White River National Forest in Colorado, with which I am familiar, is grazed by sheep and cattle. The land

is in far better condition than most public lands, yet the charge in 1968 to keep a lamb and ewe "couple" was only $13\frac{1}{4}$ cents a month. If we assume that the ewe would consume 4 pounds of forage—dry weight—a day, and the lamb 3 pounds, the couple would consume 7 pounds a day or 210 pounds a month—roughly the equivalent of three bales of hay. The cost per bale would be 4.4 cents a bale.

Ten miles away I have to pay 90 cents a bale, or about 22 times as much. A rancher, without hay of his own, would have to pay nearly as much. This is where much of the so-called value of a permit arises. For each animal unit months—five ewe-lamb couples for 1 month—the rancher gets 15 bales of hay—in the form of green grass, weeds, and browse—worth perhaps \$13.50, but he pays only $66\frac{1}{4}$ cents, and so he gets a bonanza of \$12.83 per animal unit month.

No wonder a permit has a value of \$14 to \$25 per animal unit month. The value is the bonanza, and the bonanza is what they capitalize. When they buy a permit they are gambling that the Government will not charge what the grass is worth. They are actually gambling with Government subsidy money, and people have been jailed for similar deals.

If this kind of precedent is set, every tax break, every Government benefit, every penny saved because of Government endorsement of loans, and every other subsidy might be capitalized and considered a cost of doing business. We find it amusing that the Government is now apparently taxing its own subsidies. That makes the cycle complete, but awfully complicated. Now the subsidy is being used as an argument against paying 9 cents for a bale of hay instead of $4\frac{1}{2}$. Perhaps if we did not subsidize so much, they would be willing to pay more.

Now, there is a very peculiar anomaly of predator control carried on for the stockman, paid in part by his fees, which is a very common thing on the range and very expensive.

The weird economics of the livestock business is dramatized by examining the comparative amounts paid by sheepmen for grass on public lands as compared to the amounts they spend on predator control. At the present time in Pitkin County, Colo., sheepmen pay 40 cents per ewe-lamb couple into a predatory animal control fund. The general public contributes to this cause, nearly in matching proportions.

For the 40 cents he pays, we will say that the sheepman buys predator protection for perhaps 6 months for a lamb and a ewe.

There is nothing sure about this investment. He does not know how many animals he will save. He may not save any. He may not get the coyote that causes the damage. It is a real gamble. For the sake of this discussion, however, we will assume that by paying his 40 cents he saves 3 percent of his flock over a period of 180 days. If his flock consisted of 100 ewes and 100 lambs he would pay \$40 for their protection, and might save six sheep (3 percent of 200). Prolonging the lives of six sheep for 180 days would save 1,080 sheep days at a cost of 3.7 cents per day.

On the other hand, the sheepman pays $13\frac{1}{4}$ cents per couple for grazing 100 ewes and 100 lambs on the forest for 30 days. This is no gamble, and he gets 6,000 sheep days for about 0.22 cents per day. Comparison of the two figures, 3.7 cents per day for predator protection and 0.22 cents for grass shows that the sheepman is actually

spending nearly 17 times as much on poison as he is on grass. The other 6 months of the year the public picks up the tab. Perhaps the sheepman can find a way to add that subsidy to his costs also.

For the benefit of the land, the sheepman, the Government, and the taxpayer, we feel that it is time to start putting ecology to work in the field of economics. It is time to stop duping ourselves into believing we can exploit nature without accumulating any bills. Any stockman who has to capitalize a subsidy, who has to buy his hay at 4½ cents a bail or go broke, should retire from stockraising. It is the best sign in the world that the nature on which he depends is already broke.

On the other hand, we would have no objection to an honest subsidy which made it possible for the entire country to start banking its wealth in the soils, in the water table, and in a diversity of wildlife. Pay the ranchers to keep the scenery. It would be no more expensive than buying and developing more national parks and recreation areas.

Mr. BARING. I don't know how you got by sitting next to the man you are sitting next to with the things you suggested.

Mr. Brandborg, you mentioned the small rancher should be subsidized. How would you subsidize a small rancher?

Mr. BRANDBORG. Mr. Chairman, I don't propose to offer to this committee a proposal for subsidizing the small rancher but I think he is an important part of our western life. And if his future is threatened by the economic realities of the day, I feel that we can be just as justified in this country in giving him economic support in the pattern that Mr. Etter has proposed here, or in using other methods that might be developed, to keep him in operation as a person who has a feeling for the land and who is an important part of our western economy.

I feel that the loss of the small operator in the Western States is one of the most lamentable things that we see occurring today. And in my home States of Idaho and Montana, where we have had a number of ranchers within an area, we now find consolidation of several holdings in perhaps only one or two large outfits who have taken up all of the ownerships. I think the small rancher should be held as a part of our western economy, but I don't propose specific recommendations at this time.

Mr. BARING. How many million acres are now in wilderness?

Mr. BRANDBORG. Approximately 10 million acres are now within the national wilderness preservation system—

Mr. ASPINALL. Nine and a half.

Mr. BARING. The Chairman says 9½ million acres.

Mr. BRANDBORG. I indicated approximately. I certainly would recognize that correction from the Chairman. As you know, some 40 million are subject to study and review under the requirements of the Wilderness Act.

Mr. BARING. And most of that is—

Mr. ASPINALL. Just a minute. I don't want these statements to go unchallenged. Approximately 9½ million acres are now designated as wilderness. Approximately 5 million acres within existing primitive areas are being reviewed to determine their suitability for inclusion in wilderness. In addition to this land, which is under the jurisdiction of the Department of Agriculture, the Department of the Interior is

reviewing areas in wildlife refuges, national parks, and national monuments to suitability. These reviews must be completed within 10 years. Any lands other than those I have indicated were not contemplated for inclusion by the basic Wilderness Act and are outside the purview of the Wilderness Act.

Now, I know that you and our late lamented mutual friend, one of the best friends I ever knew, Howard Zanhiser, had your eyes on 65 million acres, but it is only about 14.2 million acres that was envisioned in the present operation with the exception of the wildlife refuges, and the national parks. That may bring in a few more hundred thousand.

Mr. BRANDBORG. Mr. Chairman, I don't know what our misunderstanding is here, but I do know that the wilderness law calls for review of wilderness lands within the national park system and the wildlife refuge system, as well as the approximately 5 million acres of the primitive areas within the national forests.

Mr. ASPINALL. I just wanted to clarify the figures you gave Stewart, that's all.

Mr. BARING. The fair fees that you mentioned, do you say that the proposed fees are fair right now, those proposed by both Departments?

Mr. BRANDBORG. Yes; it seems to me that the scale that has been set for increasing these gradually over the next 10 years is a fair and equitable arrangement under which the public will receive payment for the ranchers' use of these lands at a level that is commensurate with the payment which is received for comparable private ownerships in nearby localities. I think that is pretty well established by the documentation from the Departments.

Mr. BARING. I got from your speech a few minutes ago that you indicated that the small rancher would eventually be put out of business because of this. How can a fee be fair if you anticipate the small ranches going out of business?

Mr. BRANDBORG. I don't think that the small rancher is going to in many instances feel much impact from this fee increase. I think the data from the Department show that 25 percent of the permittees pay the minimum fee as it has been set.

Is that \$10?

Mr. KIMBALL. Ten dollars.

Mr. BRANDBORG. Ten dollars. I feel that the fee increase is not going to be the decisive factor in putting the small operator out of business through the proposed fee schedule as it has been given to us by the Departments at this time.

Mr. BARING. I just had in mind that the small operator is going to go out of business if these fees are kept in. They may not in Colorado and probably Kansas or some place else where there is more grass, but we don't have an awful lot of grass in Nevada. It is a livelihood and it has been a livelihood all the way through.

In the 9½ million acres of wilderness the grass is belly deep. It seems like live and let live. There ought to be some reason why everybody can take some type of work and make a living. Why should we deny these small people this opportunity by a big fee where they haven't got the type of grass that you have in other places.

Mr. KIMBALL. I don't think—

Mr. BRANDBOG. Mr. Chairman, I feel very definitely that the use of the national forest wilderness and primitive areas by the grazers is carried out in most instances in a way that is not causing damage to the range resource. As I indicated, wilderness lands, within the national forests are subject to grazing under the wilderness law and these are taking a grazing use that certainly supports the rancher in the nearby areas. I think that the fee increases are not going to be any more than the straw on the camel's back in this instance.

I think some of the other escalations which the small ranchers face are a greater and more severe handicap than these very modest increases in fees. In reality there are a lot of things that the small operator faces which are placing him in difficult circumstances and which are a lot more serious threat to him than the modest fee schedules.

Mr. KIMBALL. May I comment on this question, Mr. Chairman?

Mr. BARING. Yes.

Mr. KIMBALL. It is my understanding that all of these factors were taken into consideration when the study was conducted, and if I detect the testimony of the livestock industry right, the only matter of contention about whether the study considered all of these values was over the capitalization of the cost of the permit.

Now, I think this is the one that is at issue. And as far as our organization is concerned, if it does work an economic hardship, the failure to capitalize these costs, we figure that, or we think that Congress should consider some other use, some other type of a subsidy rather than this capitalization cost. Maybe you can pay it directly to them in the form of those that prove economic hardship, give them assistance some other way, but certainly not through the method of perpetuating this proprietary right. This is our concern.

Mr. BARING. That is all, Mr. Chairman.

Mr. ASPINALL. What it really comes down to, Tom, is commensurate values between the fees charged on public lands, the same kind of values; is that not right?

Mr. KIMBALL. Well, it is whatever value is in that permit. When you strip away all the semantics, this is what it is.

Mr. ASPINALL. That's the trouble. Everybody wants to talk about his own semantics. That is what is bothering us around here. You want to talk about access to the public lands, you and Stewart. This study has never taken into consideration anything about access at all. The Public Land Law Review Study is the first one that has really gone into this and will go into it. We will go into it on fish and wildlife. We will go into it on forage. And we will go into it on use and occupancy.

This is the reason why some of us feel just a little bit discouraged when a department of government or two departments of Government try to ring the bell first just because they don't think they will have another time to do it.

Let me ask you this, and I will ask you this one, Tom. Let me suggest this to all witnesses who appear on a national level, or who appear for national organizations.

Now, Tom, what is the reason for the position that you take as far as these fees are concerned, either for or against or no position at all? Is it regulation of the land and its values, or is it in order to secure more money for the Treasury of Uncle Sam, or is it for the decision

of an equitable competition with other users of livestock or other growers of livestock? What is back of it?

Mr. KIMBALL. I think the reason, Mr. Chairman, is to hope that we can gain the use of these lands and obtain the same consideration that, let's say, the grazing industry does in the use of these lands.

Mr. ASPINALL. Tom, let me suggest to you something. You come from Arizona and Colorado to Washington. I spent my time in Colorado. I always bought a fishing license and a hunting license, a big-game license. And I am one of those that have bought consistently the Golden Passport. Do you know that most of the people that you represent, and those are the people who want to use these lands, they don't want to pay anything for them?

Now, let's get this situation straight.

Mr. KIMBALL. Well now, Mr. Chairman, if I might be permitted to comment on that statement—

Mr. ASPINALL. Sure, you can comment.

Mr. KIMBALL. —I don't think that is quite right, and I think—

Mr. ASPINALL. Maybe it isn't quite fair but it is right.

Mr. KIMBALL. —that the wildlife of our Nation belongs to the people, the same as the public land does. Now, we are talking about an entirely different situation. The money that they pay is for the Government to manage that resource properly. And I think the record over the years will show that these people have been willing to pay what it takes to manage the wildlife of this country. And what conservation has been done to that resource has been done through that money. It hasn't been subsidized much by the other taxpayers of the country.

Mr. ASPINALL. Well, let me ask you this.

Mr. KIMBALL. Well now, if I might be permitted to finish.

Mr. ASPINALL. All right.

Mr. KIMBALL. Now, the other part of it is that when we are dealing with livestock and there is a monetary interest here—people make profits off of this. And I think that the situation is entirely different.

Mr. ASPINALL. They don't make any profits off of hunting and fishing in Colorado.

Mr. KIMBALL. Well, maybe business does, but certainly the person who enjoys the benefits doesn't make any profits out of it.

Mr. ASPINALL. Do you know the condition of the ranges as far as wildlife was concerned before the Taylor Grazing Act went into existence?

Mr. KIMBALL. Yes, Mr. Chairman. I think the Taylor Grazing Act at the time was a great act, because before that time there was no administration on the lands at all.

Mr. ASPINALL. Yes, and the wildlife values were decreased greatly, weren't they? They have been brought back into their own recently, not only because of the graziers taking care of it, but because of the proper management by the different State and Federal operations.

Mr. KIMBALL. I agree, Mr. Chairman, that the Taylor Grazing Act was a great conservation law. My only comment was that it only governed one use, that is why at the time it was enacted it didn't recognize these other uses and provide for its management as well.

Mr. ASPINALL. What do you mean, it only governed one use? The rest of us went on and fished at our desire. We hunted at our desire. We

picnicked at our desire. We camped at our desire. We went out and looked for rocks at our desire. We cut down timber for our enjoyment when we were out in the camp. What do you mean, it only recognized one use, of course, it only recognized one use because trespassing, at that time, by the rest of us was accepted as the ordinary thing.

MR. KIMBALL. Well, I think that's correct, Mr. Chairman. At that time there wasn't any need for much regulation there, but there is now. I think you would, I hope, recognize—

MR. ASPINALL. What do you mean, you hope? You know that I was the one that introduced the bill.

MR. KIMBALL. All right.

MR. ASPINALL. All right. Let's get this thing straight.

MR. KIMBALL. I correct that and say I know you recognize—

MR. ASPINALL. When some of you were sleeping, I was out in the front there leading the way.

This is all right and I am glad to have you following through on it. I asked you, though, what is your position? Why is it that you are taking offense or you are coming up here and trying to defend the Department at the present time when you are not hurt at all? Why are you trying to defend them on the way that they have increased the fees? That is what is bothering us here now.

MR. KIMBALL. Well, let me try and explain then, Mr. Chairman. Perhaps we are wrong. If you can correct—

MR. ASPINALL. No, I don't think you are wrong. Because I am arguing with you this way doesn't mean that I don't still have great affection for you, but I am trying to find out why in the name of common-sense you are taking a position on this at the present time when you haven't got anything to gain or lose either way.

MR. KIMBALL. I think we do, Mr. Chairman, in the fact that there is a, in our view, privilege being turned into a right by the perpetuation of these values that are in the permit.

MR. ASPINALL. All right.

MR. KIMBALL. And this is not enjoyed by other user interests. Now, that is it in a nutshell.

MR. ASPINALL. All right. The Federal Government has been a party to it all the time.

MR. KIMBALL. That is correct.

MR. ASPINALL. Now, all at once they come up and try to cut off the heads of the people they are supposed to have been working with without giving them any chance at all to get in there and really have something to say about the last decision.

Well, I am going to quit with this one.

There is only one more thing I wish to say. The record shows that the small ranchers are going out of existence. That is all there is to it. The small livestock man is going out of existence. You can talk about 10 cows making a rancher, if you want to, but that is a lot of silliness. That just isn't a part of it. There is nothing wrong in the United States about growing big. And I think you will find—and I pretty well ferreted this out—I think you will find that the people who are charging fees for access to these public lands are not the big ranchers; they don't have to charge for access. It is the small ranchers.

And they have to do it because they wouldn't live if they didn't have some extra money coming in. They are the ones who are doing this.

Mr. Chairman, I don't think this is too constructive.

Mr. KIMBALL. Well, Mr. Chairman, on that particular point, though, this study showed that 12 landowners on Pizeance Creek who controlled the access to 67,000 acres of public land obtained \$13,375 in value from permits to hunt when they paid only \$9,309 in grazing fees.

Mr. ASPINALL. That's right. They are small ranchers. There isn't any big rancher on the Pizeance Creek.

Mr. KIMBALL. Well, I would sure like to have a ranch in that particular part of Colorado, with just a fraction of those 67,000 acres.

Mr. BARING. The gentleman from Arizona.

Mr. STEIGER. Thank you, Mr. Chairman.

Mr. Brandborg, can you name five corporate entities that you know that hold ranching interests anywhere on public lands?

Mr. BRANDBORG. Well, Mr. Steiger, I am sure I could name large ranching operations. I don't think I should take the time of the committee—

Mr. STEIGER. You can't name five. Can you name one?

Mr. BRANDBORG. Well, of course. Let's take the Circle C on the Snake River of Idaho.

Mr. STEIGER. What is their permit?

Mr. BRANDBORG. I don't know at this time.

Mr. STEIGER. Are you aware that a corporate entity must comply with the same limitations on the number of head that a single individual permittee must?

Mr. BRANDBORG. Yes, I am aware of this.

Mr. STEIGER. Are you aware that, if anything, the Forest Service has recognized that there could conceivably be a problem with an excess, a large permit in the hands of any one individual or corporate entity and has imposed an upper limit in livestock, in animal unit month that can be grazed? Are you aware of that?

Mr. BRANDBORG. Yes.

Mr. STEIGER. Then why this obsessive fear of the public lands being held by some monopolistic corporate entity? You have named one. Could you name two?

Mr. BRANDBORG. I wouldn't refer to my concern as I have stated it as an obsessive fear. I think it is a concern on my part that the small operator be perpetuated. I think he is a part of our western setting—

Mr. STEIGER. You mentioned that, yes.

Mr. BRANDBORG (continuing). A part of our western communities. And I think that we should resort to other means of subsidizing his operation.

Mr. STEIGER. So you can't name two—

Mr. BRANDBORG. And he should be an enduring part of the western picture.

Mr. STEIGER. You cannot name two corporate entities, is that correct? You have named one that you know. I assume when you come before this committee and you make a statement in which you have said, even though your statement was not prepared and I can't quote from it, in which you have said that there is a danger that the corporate entity will monopolize public lands, that you base this on something other than a romantic desire to preserve the small rancher. Now, apparently it is not—

Mr. BRANDBORG. It is not a romantic desire, Mr. Steiger. It is a realistic appraisal of what is happening in the West. The small rancher, as the chairman has pointed out, is disappearing. And as a personal matter and as a general concern, we would like to see the small operation continue in existence.

Mr. STEIGER. And in your desire to do this, you endorse a plan that is going to add probably the final straw on the back of the small rancher and undoubtedly will break his back. I find that—a response is not necessary, Mr. Brandborg.

Mr. BRANDBORG. We don't feel this is the straw that will destroy the small rancher.

Mr. STEIGER. Do you think this will help the small rancher?

Mr. BRANDBORG. If it is going to jeopardize the small rancher, we urge that other means of subsidizing, subsidizing him directly, be fully explored by the committee.

Mr. STEIGER. Yes. That is a very good point. Both you and Mr. Kimball have dwelled on that rather lovingly, I might add. And it occurs to me that the one thing that makes the livestock industry unique, particularly the cattle industry, is that the great majority of the cattle industry have resisted the role of Government subsidy because they have seen the experience of their fellow agriculturalists under a subsidy program.

Now, to me this speaks very well of the judgment of the livestock industry as a whole. And it would seem to me a most improper role for an organization that recognizes the livestock industry has a place in our scheme of things to, in effect, say to the rancher, "We don't agree with your position that you shouldn't be subsidized by the Government."

We think you should be subsidized by the Government because it will add to our convenience.

As a matter of fact, I would like you to explain, as the chairman asked Mr. Kimball, I would like to have you explain to me how the people who are interested in wilderness areas, who I presume you represent, how these people are going to be benefited by the raising of grazing fees in what at least the grazing industry feels is an arbitrary manner.

How are those concerned about wilderness going to be benefited by this action?

Mr. BRANDBORG. Well, first of all, I would wish to comment on your statement regarding the role of the rancher. We, as I said initially, don't wish to be cast as a group that is in opposition to the ranching industry. We think the ranching industry is very important.

Mr. STEIGER. In light of that, how would you answer the second part of my question?

Mr. BRANDBORG. In light of that, I would say that failure to implement the fee schedule and the regulations of the departments, or to weaken in any way the fee schedule procedure, would strengthen the argument of the rancher who claimed a vested interest through the permit system.

Now, through the wisdom and initiative of this committee and through the special leadership of the chairman, Mr. Aspinall, we now have on the books the 1964 Multiple-Use and Classification Act, and

this law clearly delineates the role of all of the multiple uses, recreation, watershed, timber, grazing. It spells out a place for wilderness within the BLM jurisdiction. A similar law is applicable to the national forests.

Now, if we have a vested claim through the permit system that is established for the rancher, we place the rancher in a position where he can, without justification under these laws and without legal basis, claim a priority consideration in the development of multiple-use management programs. We feel that since these lands are publicly owned—since the people in New York City claim as much a part of them as those of us who come from the Western States—this is not equitable and is not in the public interest.

We are talking about a public ownership here. While we recognize the dependence of the ranchers that live close to these public lands for their grazing resource, and while we wish to see that this grazing resource is used to full advantage and managed intensively to support the stockmen, we do not wish to see the permit system utilized in a way that will leave a disproportionate share of the final use in the hands of the rancher.

Mr. STEIGER. Well, of course, you know, Mr. Brandborg, that—and I know you know this—you simply must know it because you have been involved in this work for some time—that the permittee does not exercise any decision, any discretionary powers over the other multiple uses of his land. You know this and I know that you know it. I can't rationalize the interest of your group in your support of this program.

Mr. Kimball, in line with this, you made—and I think very validly—a valid point that the propriety exists now as much as it is ever going to exist regardless of what you do with this particular phase of it, whether you recognize the capitalization of the investment or not.

That is not your language, but I carried it out. You maintained, at great length I might add, and I think very validly—in fact, I would say that your particular dialog was the most substantive thing we have heard since you are an adversary of the industry in this instance, that your dialog in which you recognize that there has been a proprietorship, or claimed proprietorship—would you think that this proprietorship has significantly impaired the relationship between your organization and the livestock man or your organization and the agency, the proprietorship as it now exists?

Mr. KIMBALL. I sincerely hope not, but let me correct one statement that you made, that we are not adverse to the livestock industry. They may think so, but I think we have some other valid points here.

Mr. STEIGER. Excuse me, Mr. Kimball. Have you anything to add, other than Mr. Brandborg's—

Mr. KIMBALL. Yes, I think I do, if you would permit me.

Mr. STEIGER. All right.

Mr. KIMBALL. Why we are interested as wildlife groups—

Mr. STEIGER. Yes, I would like to know.

Mr. KIMBALL (continuing). In this grazing fee is the fact that we want equal consideration for these lands for, let's say, the recreation and esthetic use of it.

Mr. STEIGER. And you don't feel you have that now?

Mr. KIMBALL. No we don't.

Mr. STEIGER. And this is going to help that? How would you define that, please?

Mr. KIMBALL. That is what I am trying to do, if you will allow me.

Mr. STEIGER. I would be happy to.

Mr. KIMBALL. Now, let us suppose for an instant that this proprietary right is maintained, the fees are not increased to eliminate this value and it is there, the value is there. Now, let's suppose for an instant that the Federal Government decides to change the use of that land. And there may be an intense need for a recreation area or a camping area that would require, let's say, the taking of that land for that specific use.

Mr. STEIGER. They have that right now.

Mr. KIMBALL. Now, what would happen?

Mr. STEIGER. What would happen?

Mr. KIMBALL. Well, what would happen was that the livestock operator, and I think rightfully so, if there is a value there, if you remove his grazing, the Government is going to have to pay him for it, isn't he—aren't they?

Mr. STEIGER. No. As a matter of fact, it has been done in the past. I am sure it will be done in the future. And the permit is renewable on an annual basis actually, and the Government is under no obligation to renew.

Mr. KIMBALL. Well, Mr. Steiger, I know of no instance—and I hope the committee can correct me if they know some—where a livestock permittee has been, where his rights have been taken this way for another, let's say, higher priority use, where the Government has not paid him for that permit.

Mr. ASPINALL. Mr. Chairman, there is no way of asking a question that you can get a member of this committee to answer.

Mr. STEIGER. I will be glad to respond. I don't mind responding.

Mr. ASPINALL. Well, I don't think you need to respond if it is put in the form of a question. If he has something besides an argument, all right.

Mr. KIMBALL. All right, let me make it in the form of a comment, Mr. Chairman, and maybe I am in error in this and I will check into it myself. But I do not know of some instances where it has been done, because the military, where they have taken lands for this purpose, have done this, you see.

Well, this is one branch of the Federal Government. But let's say that this is the case. I think that the Federal Government would then be reluctant to consider equally these other values in this instance. And that is one of the reasons that we think that this equity that they have should be taken out.

Mr. STEIGER. So, actually, your position is that you would like to see the recognition of the value that has existed since 1906 and 1934 be removed because you feel it jeopardizes your position. Is that a fair statement?

Mr. KIMBALL. I am not sure just what you mean by 1906 and—

Mr. STEIGER. Well, that is when the Forest Service first issued permits, and 1934 is when the Taylor Grazing Act went into effect. The proprietorship or the equity that you recognize, you feel jeopardizes the position of your people.

Mr. KIMBALL. I think it gives a preference to that particular use.

Mr. STEIGER. And that preference has proven to be a burden to the public, other public users of the land——

Mr. KIMBALL. I think so.

Mr. STEIGER (continuing). In your view?

Mr. KIMBALL. Yes, in my view, it has.

Mr. STEIGER. I have taken up much too much time, but I suspect that it would be difficult for you to cite me many examples, but I won't——

Mr. KIMBALL. Well, I referred to one here. I hope you will read it.

Mr. STEIGER. Yes, you mentioned 12 people out of some 47,000 users.

Mr. KIMBALL. This was just a study area.

Mr. STEIGER. Dr. Etter, I have to relinquish my time. I have talked too much. But I would only suggest that the comparison, the equation that you drew between forage and bales of hay is a most unique one, and I would suspect that either most people who raise and produce hay or those people who use forage would find the equation a fascinating one, but Mr. Banker would not subscribe to it, nor would their banker be able to justify a loan on the basis of that particular equation.

And the predator, the predator equation I found even more interesting, because I know of no way that anybody who protects against predators, whether it be sheep or cattle, does so with the intention of saving only three percent of their herd. What they would like to do, I think, and which you may have missed, is simply to keep the predators out of the area because if one predator can account for six sheep and if that predator happens to be a female and happens to conceive, there will then be more predators, and I think even you could develop that equation. But I won't take up any more time. I will yield back the balance of my time, Mr. Chairman.

Mr. BARING. The gentleman from California.

Mr. JOHNSON. Thank you, Mr. Chairman. I just have a couple of observations I would like to make here.

Mr. Kimball, you are quite familiar with the Advisory Boards that go with the grazing operations both on BLM and Forest Service lands.

I have attended the local meetings and State meetings and also attended some of the national meetings here, and I found in recent years where the membership representing the fish and wildlife side of it have been fairly active and dissatisfied with the considerations given as to the actual permittees operating on the Federal lands for the most part.

Now, this is in my own State, and I have heard this discussed at the national level, too, here on Advisory Boards. I was wondering if you would care to comment, are these boards effective, and is the wildlife side amply represented on these boards at the present time?

Mr. KIMBALL. Well, I think this would vary, Mr. Johnson, from place to place. I think there are localities where there is adequate representation by wildlife and other public user interest groups on advisory boards. But I think in a great segment of rural America where a number of our public lands are located, that it is not adequately,

that these values are not adequately represented, because they are local advisory boards and mainly in livestock grazing areas where it is pretty difficult to have represented on that board the great bulk of the users, that is, the recreational users of that land which usually emanates from the larger urban areas and other places. And I would say that there certainly has been an improvement in this in recent years.

And I can think of a time in history when there was practically no representation of this type on advisory boards.

Mr. JOHNSON. I fully realize that, but the fish and wildlife side of it and the recreation have been given an opportunity to participate as members, duly authorized and appointed to speak for that segment on use of public lands.

Now, also, I presume that you have been on much of the range land that is involved, and wouldn't you say that the cooperative programs that have been entered into between Forest Service and Bureau of Land Management permittees have been beneficial to wildlife habitat?

Mr. KIMBALL. In many instances they have been. In others they haven't.

Mr. JOHNSON. Well, I think as a whole it is pretty well recognized that they have been doing a pretty fair job of late.

Mr. KIMBALL. Let me give a specific example of where I think there have been some conflicts, that is, cattle ranges. Normally, they try to treat, remove the brush to permit grass to grow. That is the livestock fee. But in critical winter ranges for big game it is important that that browse remain if you are going to provide winter food for big game. And in many of these areas there have been proposals here by the Federal Agency administering the land that this brush be removed. And unless there is some consideration given for the maintenance of the forage upon which wildlife feed, why then you are really discriminating in a sense against use for that land.

Mr. JOHNSON. Well, it has been my experience to go on these lands in most of these programs and have pointed out under the supervision and jurisdiction of the Bureau of Land Management and Forest Service that they have taken all of this into consideration and they are trying to develop an equal amount of habitat for the wildlife as well as the cattle and sheep that are grazed on these lands.

Mr. KIMBALL. Well, I would question that equal amount, Mr. Johnson, because I think if you would review the expenditures that are made for range rehabilitation, you would find that the great bulk of that is for livestock. There is some consideration for game given on it, but I don't think it is equal consideration as far as the expenditure of money is concerned.

Mr. JOHNSON. Well, I would say that pretty near anything that is done on Forest Service land in behalf of the principal product, which is timber, is beneficial to wildlife as well as to cattle and sheep. And there has been a lot of money that has gone into various improvement programs that benefit them in the overall and they are not singled out.

Now, I realize in examining the various budgets that the BLM and the Forest Service in my own State, in my own area, that there is a small amount of land for habitat, or small amount of money for

habitat improvement, but most of the other programs go towards that, too, and there is a good spinoff benefit for this habitat.

Now, another thing I think that you must recognize, both on BLM land, since the temporary Multiple-Use Act has been passed on the part of Congress and the Multiple-Use Act as far as the Forest Service, we have opened up all kinds of access into these lands. We have got so much of it now that the BLM and Forest Service are having a tough time to control the people that are using them.

And we find that the Forest Service and BLM are putting restrictions on to keep people out with certain types of vehicles and whatnot, to sort of limit the access. And many of these roads are being closed down. These roads were built under the Forest Roads and Trails Appropriations that have been upped since I have been in Congress by a considerable amount of money. And we have opened up all kinds of country with new roads.

Now, much of this goes through these range lands that are under permit at the present time, and these roads are public roads. They are not the roads that belong to the permittee, nor does he have any real control over it. This is all in an agreement with the BLM and the Forest Service.

Now, another thing that I have witnessed in attending these meetings and going out on the actual arrangements is that there is a good cooperative understanding that good grazing practices probably help livestock habitat, or I mean wildlife habitat.

By the same token, in my country, much of the winter feed is on the deeded lands.

Now, it is a give and take proposition. Right now I could take you into our area and we would probably see a lot of it where there is no other place to go but on the deeded lands. And we find concentrations of wildlife that are not doing too well even under today's circumstances.

So I think there is a give and take in this, and it has been just my experience in the last 10 years since I have been here that there has been a general improvement in this whole problem as it relates to wildlife and access to wildlife habitat.

Mr. KIMBALL. I would concede that, Congressman, but I have recently posed a question to both the Forest Service and the Bureau of Land Management asking if they had information on how many acres of land were, did they have, where reasonable public access was denied for one reason or another, one, whether they hadn't built access roads in there where they could if they had the funds, the other, where that access was denied by the location of private lands to cross the access routes.

And as near as I could determine from their response, there are still about 15 million acres of these lands, which they consider to be inaccessible, and 5 million of that 15 million was where access was denied by private ownership.

So while we have made some progress, and I concede this, I still say that there is a considerable way to go.

Mr. JOHNSON. Well, I know it is not perfect.

Now, in connection with the statement made by the gentleman here representing the wilderness area about small ranchers in my district,

too, when I attend one of these meetings of the permittees I would say that most are small operators. Now, I don't know whether this exists in other States or not, but in our State when I attend one of these meetings and all of the permittees are in there from the BLM and the Forest Service, they make up a sizable amount of the population.

And they are operating with maybe anywhere from, the smallest probably trying to make a living off of the cattle industry are operating 150 head, something like that, and trying to make a go of it. But by and large they are the majority of the people who are there and they are the majority of the people who are raising the question to me that this increase that has been advocated in the regulations that have been placed in operation is going to eliminate many of those people unless we can do something about it.

Now, I have heard from many of these people, and that is why we are concerned, because I have witnessed all sorts of things at these meetings where the carrying capacity of the ranges has been brought to the attention of the permittees and reductions have been asked for and they have been squeezed out, and they are trying to make a go of it with their little home base properties. And they must have this BLM and Forest Service land, otherwise they can't make it.

Now, if you put this into effect, I am certain this is going to have a serious effect on the small operator. Now I don't know what the average operator would be in numbers, but it wouldn't be very large. We are talking about a small amount of livestock for the most part, I think in any one given operation where it is a family operation.

There may be four or five ranchers that go together and will make a go of it, but just eke out a bare living. They are good American citizens and they are not getting rich, I can assure you. And the same goes for our sheep population. I don't know what it amounts to in the United States, but in our area it is going down, with fewer people operating on the Forest Service and BLM lands as far as sheep is concerned.

Now, I think that the little fellow is the man that we are trying to take a look at here and do what is right by him so that he can stay in business instead of driving everybody into the city. We have sizeable operations in our State, all of the agribusiness, anything you can name. We have the corporate entity in there and we have the individual.

And they are getting bigger instead of smaller for the most part in most enterprises. But there are a lot of small people in the livestock business.

Mr. BARING. Will the gentleman yield?

Mr. JOHNSON. Yes.

Mr. BARING. It was suggested that we subsize the small livestock man. I would like to know who is going to subsidize the subsidizer?

Mr. JOHNSON. Well, I appreciate your answers to what I have asked of you in the way of grazing. I think we all have to work together on this and I think there is ample room for everybody to live and let live. And the way this came about, I think it was rather a shock to the average livestock man in this country when the criteria was boiled down to where they only took in the 14 items and they give no credit

for permanent value. And I think when you eliminate that, you raise the real problem in the livestock industry.

Mr. BARING. The gentleman from Wyoming.

Incidentally, I would like to say, I don't like to cut anybody short, but this group has had a longer time than they are supposed to have had, and there are still men from out-of-town we are trying to work in before we adjourn.

Mr. WOLD. I will keep mine very brief, Mr. Chairman.

First, Dr. Etter, your organization is the Defenders of Wildlife. What is the membership of that organization?

Mr. ETTER. The membership is approximately 15,000.

Mr. WOLD. And how many dues-paying members do you have?

Mr. ETTER. So far as I know, they all pay dues.

Mr. WOLD. All 15,000.

Mr. ETTER. They had better or they are dropped.

Mr. WOLD. I am surprised in a way that the representatives of the wildlife groups are injecting themselves into this particular situation here apparently on the question of capitalization of permits. And I wonder about it because it seems to me that you have been a part with the livestock industry, of an attempt over the years to achieve a better understanding with each other. Therefore, I am surprised that you take a stand on this ground.

Let me ask you this more pertinent question. Do I understand that you feel that livestock operations are not incompatible with wildlife; that livestock operations are not deleterious to the promotion of wildlife.

Mr. KIMBALL. That is correct.

Mr. WOLD. Well, I am glad to hear that because I know in my own home State of Wyoming we have had an increase of antelope population, from some 35,000 in 1941 to 175,000 in 1961. This growth has taken place especially in the northeast part of Wyoming where the range is privately owned and fenced. And I would like—I don't know whether this would be appropriate, Mr. Chairman—to introduce this as testimony of the cooperative efforts between ranchers and wildlife people in my home state. It is an article published in the Wyoming Wildlife magazine put out by the Wyoming Game and Fish Commission. I would like to just read one sentence from the article written by the Director of our State Game and Fish Commission, Mr. James B. White, in which he says:

The rancher is in business to make a reasonable living. The very complex nature of wildlife management involves many factors that touch not only on game but on people as well. At times there are problems and even grievances but we have built our game herds with the cooperation of ranchers.

And I am sure that everybody here would hope that we would continue this, rather than to aggravate misunderstandings, so that we could perhaps work together more effectively.

Thank you, Mr. Chairman.

Mr. BARING. Thank you.

Thank you very much, gentlemen.

The next witness is George N. Swallow, chairman of the Western Industry Organization, also representing the Swallow Ranches, Inc., and he will present a statement of the Honorable Paul Laxalt, Gov-

ernor of the State of Nevada. He will be accompanied by Del Barber of Wichita, Kans.

George, you are no stranger in front of this committee. I want to welcome you, of course, as a constituent of mine. We are happy to have your testimony, and also that of the Governor.

STATEMENT OF GEORGE N. SWALLOW, CHAIRMAN, WESTERN INDUSTRY ORGANIZATION, ON BEHALF OF HON. PAUL LAXALT, GOVERNOR, STATE OF NEVADA; ACCOMPANIED BY DEL BARBER, WICHITA, KANS.

Mr. SWALLOW. Thank you, Mr. Chairman.

Chairman Aspinall, Chairman Baring, members of the committee, we are most appreciative of the opportunity of appearing before you and particularly before a committee that has the understanding and background of the western public lands problem.

First I would like to present Gov. Paul Laxalt's statement to this committee.

Mr. BARING. Are you going to read that, George?

Mr. SWALLOW. This was the request of the Governor, that this statement be read.

Mr. BARING. Very good.

Mr. SWALLOW. If it meets with your approval.

Mr. BARING. It meets with our approval. I have to remind you that we are under the 7-minute rule again. I know it is important to get the Governor's statement in.

Mr. SWALLOW (reading) :

DEAR MR. ASPINALL: First, let me point out that Nevada is 86.8 percent federally owned, and a very substantial segment of Nevada's economy is built on the livestock industry's use of Federal lands for grazing. The grazing fee increase proposed by the Department of the Interior and the Department of Agriculture will be a diminution of a sizeable portion of the State's economy, thus a resultant weakening of the State's taxing ability.

A detailed and current economic study of Elko County, Nevada, by the Division of Agricultural Economics at the University of Nevada's College of Agriculture, indicates that an increase of 10 cents per animal unit month in public land grazing fees would result in a net annual operating loss to the average rancher in the county of 5.8 percent. We believe the results would be more adverse in other less productive ranching areas of Nevada where public lands provide a significant portion of the livestock forage.

The Bureau of Land Management proposes to raise the grazing fee to \$1.23 per animal unit month over a ten-year period. This is a 372-percent increase to the ranching industry which even now has only a two-percent return. The failure to include the cost of holding a grazing permit into the formulation of the fair or competitive market value for federal forage is the principal matter at issue and should be given proper consideration by the Federal agencies.

If this grazing fee increase is allowed to stand, our ranching economy will suffer a serious depression and the maximum benefit of our natural resources will not be realized. The benefits which may be realized by Federal agencies will be at the expense of the local economy and we will be creating poverty in one area of our economy while we are spending millions to alleviate it in others.

Completely aside from the personal loss to the individual ranchers and the livestock industry as a whole, the State stands to lose a significant part of its economy and loss of use of agricultural natural resources to which it is entitled as a sovereign State. Additionally, and perhaps of first importance, is the establishment of a principle relating to Federal fee and management policy which, if applied to Nevada's mining, recreation, game management, timber or any of the multiple usages, will be extremely damaging to the State and its residents.

Even now the Public Land Law Review Commission is in the process of completing in-depth studies to guide it in making recommendations to the Congress on the complex problem of Federal lands. I sincerely believe that this Committee and the Congress must take immediate steps to direct the executive agencies to cooperate with and respect the work of the Public Land Law Review Commission.

I respectfully request this Committee to direct the Executive agencies to withdraw the proposed grazing fee increase and to refrain from any modification of existing rules regulations or policies until PLLRC has completed its work.

Very truly yours,

PAUL LAXALT,
Governor of Nevada.

Mr. ASPINALL. Mr. Chairman, may I have 1 minute on my own time to ask unanimous consent?

You used the figures of 5.8 percent annual loss to the average rancher. Is that substantiated in your own statement?

Mr. SWALLOW. No. This is the Governor's statement.

Mr. ASPINALL. I know it is, but I want his figure. I want his figures for that 5.8 percent.

Mr. SWALLOW. I will be glad to request the Governor to furnish those figures to substantiate the statement.

Mr. ASPINALL. Thank you very much.

(The information requested follows:)

UNIVERSITY OF NEVADA,
Las Vegas, April 7, 1969.

HON. WAYNE ASPINALL,
House of Representatives,
Washington, D.C.

DEAR MR. ASPINALL: The Governor's Office of the State of Nevada informed me that you have requested some information from a study conducted by this Division concerning grazing fees on federal lands. We have a manuscript which is in the process of review for an Experiment Station bulletin from the University of Nevada. The study encompasses a broader area than grazing fees; however, one section does assess the economic impact of grazing fees on the range livestock industry in Elko County and on the Elko County economy.

I am enclosing a portion of the draft of the manuscript which considers the economic impact of a reduction in permitted grazing on federal lands and the effects of increased grazing fees on federal lands. It is hoped that the enclosed information will be of some assistance to you.

Sincerely,

JOHN W. MALONE, Jr.,
Chairman.

ECONOMIC IMPACT ANALYSES

* * * * *

Given the interindustry or input-output model and its coefficients measuring the interdependence between economic sectors in an economy, its usefulness may be further extended by employing the model to assess the economic impact of hypothetical or actual private or public policies on the economy.¹³ Application of the model in this study was made to three specific policies or activities which are of considerable interest to the Elko County economy. The economic impact on the Elko economy is evaluated with respect to: 1) a public policy related to the reduction of permitted grazing by the livestock industry on federal lands in Elko County, 2) an increase in grazing fees to users of federal lands in Elko County, and 3) an increase in deer hunting activity in Elko County.

Reduction in permitted grazing on Federal lands

Utilization of federal lands for grazing is of considerable importance to the range cattle industry in Elko County, Nevada as it is with the range cattle industry in many areas of the intermountain region. The industry in Elko County depends upon federal lands for approximately 40 percent of its livestock forage

¹³ See Appendix for procedures employed with the input-output model to ascertain the economic impact of policies and activities on the Elko economy.

requirements.¹⁴ Use of National Forest and Bureau of Land Management lands by the cattle industry varies from three to six months annually. The months from April to November include the heaviest use of federal lands for grazing. In 1964, authorized active use of permitted federal grazing included 657,898 A.U.M.'s on lands managed by the Bureau of Land Management and 116,832 A.U.M.'s on U.S. Forest Service lands.¹⁵

An approach to appraising an effect of federal public land policy on the range cattle industry and in turn the impact on the Elko economy is to hypothesize a given percentage reduction in permitted grazing on federal lands. A twenty percent reduction in permitted grazing is used in this analysis.¹⁶ The alternative investigated in this study is that operators would reduce size of herd in proportion to the reduction of total forage available. Over a longer time period some operators could possibly intensify their operation and reduce dependence on federal lands for forage requirements to some extent. In addition, it appears rather unlikely that an "across the board" 20 percent reduction in permitted grazing would be placed into effect. The hypothetical 20 percent reduction in permitted grazing, however, is a useful device in evaluating the impact of a public land policy on the range cattle industry and in turn on the Elko economy.

The potential impact of a 20 percent reduction in permitted grazing on federal lands is shown in Table 6. The assumption that size of herd and consequently output would necessarily be reduced in the short run is reflected in reduced sales by the Agriculture sector of approximately a million dollars or 10 percent. The estimated reduction of sales by the Agriculture sector and the effect it generates throughout the rest of the economy is illustrated by the dollar and percentage reduction in sales of the other sectors of the economy. The Finance, Services, Utilities and Household sectors were most affected percentagewise. The estimated decrease in total sales activities in the Elko economy as a result of the 20 percent reduction in permitted grazing on federal lands amounted to approximately 2.60 million dollars or 2.3 percent.

TABLE 6.—POTENTIAL IMPACT OF PUBLIC LAND POLICY ON ELKO COUNTY ECONOMY, ASSUMING A 20-PERCENT REDUCTION IN PERMITTED GRAZING, 1964

Economic sector	Sales prior to change	Sales after reduction	Change in sales	
			Amount	Percent
Agriculture.....	\$10,698,351	\$9,614,915	\$1,083,436	10.13
Industry.....	2,780,883	2,770,282	10,601	.38
Construction.....	3,730,291	3,710,698	19,593	.53
Transportation.....	5,648,245	5,627,997	20,248	.36
Trade.....	32,536,629	32,133,939	402,690	1.24
Finance.....	5,033,079	4,901,620	131,459	2.61
Lodging and entertainment.....	8,355,016	8,324,066	30,950	.37
Services.....	3,536,801	3,446,029	90,772	2.57
Health and education.....	2,731,270	2,676,325	54,945	2.01
Utilities.....	3,270,834	3,191,517	79,317	2.42
Households (personal income).....	32,071,448	31,391,553	679,895	2.12
Total.....	110,392,847	107,788,941	2,603,906	2.36

Effects of increased grazing fees on Federal lands

Grazing fees paid by cattle ranch operators for use of federal lands are a part of cash operating expenses and amounted to 2.4, 3.1 and 2.2 percent of total cash operating expenses for small (less than 500 A.U.), medium (501-999 A.U.), and large ranches (1,000 or more A.U.), respectively. The short run effects of an increase in the level of grazing fees would appear in the year administered in

¹⁴ Helming, page 2.

¹⁵ Data obtained from: (1) *Annual Grazing Statistical Report 1962-67*, Bureau of Land Management Office, Reno, Nevada, 1968 and (2) National Forest Service Office, Elko Nevada, 1968. An A.U.M. (Animal Unit Month) is related to the quantity of forage consumed by a 1,000 pound cow and her calf in one month. It was estimated that ranch operations outside of Elko County accounted for less than five percent of A.U.M.'s of grazing on federal lands in Elko County.

¹⁶ Two other studies which have hypothesized such a reduction are: (1) Caton, Douglas D., *Effects of Changes in Grazing Fees and Permitted Use of Public Rangelands on Incomes of Western Livestock Ranches*, U.S.D.A., E.R.S. 248, Washington, D.C., September 1965, and (2) Bromley, D. W. et al, *Effects of Selected Changes in Federal Land Use on a Rural Economy*, Experiment Station Bulletin 604, Oregon State University, Corvallis, March 1968.

terms of higher operating expenses and reduced net ranch income.¹⁷ The impact analysis relative to increased grazing fees is based on the interindustry model developed in this study and utilizes 1963 budget data developed by Helming for cattle ranch operations in Elko County.¹⁸

In the Helming study, a random sample of 27 ranches (16 percent) was drawn from a population of 166 ranch operations in Elko County. Size distribution and selected economic characteristics of the sample ranches are shown in Table 7.

TABLE 7.—SIZE DISTRIBUTION AND SELECTED ECONOMIC CHARACTERISTICS OF A SAMPLE OF 27 CATTLE RANCHES, ELKO, NEV. (1963)

Size of ranch (animal units)	Number	Average ranch receipts	Average ranch operating expense ¹	Average change in livestock inventory	Home consumption	Average net ranch income ²	Number of animal unit months on Bureau of Land Management and U.S. Forest Service land
500 or less.....	3 9	\$18,344	\$21,539	\$5,784	\$218	\$2,807	1,282
501-999.....	4 9	39,519	37,009	8,690	428	11,628	3,214
1,000 or more.....	5 9	100,460	124,912	36,789	1,178	13,515	11,103
Total.....	27						

¹ Includes cash operating expenses and depreciation.

² Net ranch income=average ranch receipts—average ranch operating expenses±net change in livestock inventory+home consumption.

³ Distribution of small ranches relative to use of Federal lands for grazing and type of ranch was: 3 Bureau of Land Management and U.S. Forest Service), 2 (U.S. Forest Service), 2 (Bureau of Land Management), 2 (no Federal land grazing); 4 cow-calf, 5 cow-yearling.

⁴ Medium ranches: 7 (Bureau of Land Management), 2 (Bureau of Land Management and U.S. Forest Service); 3 cow-calf, 6 cow-yearling.

⁵ Large ranches: 6 (Bureau of Land Management), and 3 (Bureau of Land Management and U.S. Forest Service); 3 cow-calf, 6 cow-yearling.

In 1963, the grazing fee in Elko County, Nevada on B.L.M. lands was \$.30 per A.U.M., while on U.S.F.S. lands the grazing fee was \$.45 per A.U.M. In this analysis, the effects of three levels of increases in grazing fees (\$.10, \$.20, and \$.30 per A.U.M.) were evaluated with respect to average ranch operating expenses and average percentage reductions in net income (Table 8). The impact on the Elko economy analyzed with the input-output model, is presented only for the ten cent increase in grazing fees (Table 9).

TABLE 8.—EFFECTS OF THREE LEVELS OF INCREASES IN GRAZING FEES ON RANCH OPERATING EXPENSES AND NET RANCH INCOME, ELKO, NEV. (SAMPLE RANCHES)¹

Size of ranch (animal units)	Average animal units	Average animal unit month (Federal land)	Increase in ranch operating expense (dollars)	Reduction in net ranch income (percent)
10-cent increase:				
500 or less.....	338	1,282	128	4.6
501-999.....	762	3,214	321	2.8
1,000 or more.....	2,268	11,103	1,110	8.2
20-cent increase:				
500 or less.....	338	1,282	256	9.1
501-999.....	762	3,214	642	5.5
1,000 or more.....	2,268	11,103	2,220	16.4
30-cent increase:				
500 or less.....	338	1,282	385	13.7
501-999.....	762	3,214	964	3.3
1,000 or more.....	2,268	11,103	3,331	24.6

¹ The economic impact on the Elko economy utilized the total animal unit months authorized by the Bureau of Land Management and U.S. Forest Service in the input-output model. For example, the 10-cent increase in grazing fees was multiplied by 774,730 animal unit months. The decrease in net ranch income of \$77,473 and the resulting impact on the economy was estimated by use of the model.

¹⁷ It is argued by some that the value of grazing permits will be capitalized into the asset structure of range cattle operations since permit values are bought and sold in the market and are recognized as a part of ranch operating expenses. The argument is advanced that implementation of increased grazing fees will eliminate the value of grazing permits. If this argument is accepted then the implications of increased grazing fees are much more pronounced than higher operating costs and lower net ranch income in the year in which they are initially administered.

¹⁸ Helming.

TABLE 9.—POTENTIAL IMPACT OF PUBLIC LAND POLICY ON ELKO COUNTY ECONOMY, ASSUMING A 10-CENT INCREASE PER ANIMAL UNIT MONTH OF GRAZING FEE, 1964

Economic sector	Sales prior to change	Sales after fee increase	Change in sales	
			Amount	Percent
Agriculture.....	\$10,698,351	\$10,695,691	\$2,660	0.0024
Industry.....	2,780,883	2,779,764	1,119	.0040
Construction.....	3,730,291	3,728,544	1,747	.0046
Transportation.....	5,648,245	5,645,802	2,443	.0043
Trade.....	32,536,629	32,495,971	40,658	.0124
Finance.....	5,033,079	5,020,078	13,001	.0258
Lodging and entertainment.....	8,355,016	8,350,249	4,767	.0057
Services.....	3,536,801	3,530,680	6,121	.0173
Health and education.....	2,731,270	2,722,442	8,828	.0323
Utilities.....	3,270,834	3,262,165	8,669	.0265
Households (personal income).....	32,071,448	31,956,464	114,984	.0359
Total.....	110,392,847	110,187,850	204,997	.0185

The percentage reduction in average net ranch income is greatest for the large operations, 8.2 percent; followed by the small and medium size operations with reductions of 4.6 and 2.8 percent, respectively. The overall average percentage reduction in net ranch income for the ten percent fee increase was 5.2 percent. The percentage reductions in net ranch incomes increase considerably with successive increases in grazing fee levels.

The impact on the various economic sectors of the Elko economy as a result of a ten cent increase in grazing fees is illustrated in Table 9.¹⁹ An increase in ranch operating expenses and the accompanying decrease in net ranch income of \$77,473 shows a total decrease in sales activities in the economy of \$204,997 or a decrease of approximately two-tenths of one percent. In absolute terms, the Trade and Finance sectors were the most affected business sectors after the increase in grazing fees, with reduction in sales amounting to \$40,658 and \$13,001, respectively. Household sector income (wages and entrepreneurial income) was reduced by \$114,984. Personal income of the Agricultural Household sector accounted for \$77,473 of the total reduction.

It seems likely that, in the short run period of one year, no appreciable adjustments in ranching operations would occur as a result of an increase in the level of grazing fees. Over a longer period of time, ranching firms could likely make quantity adjustments relative to other sources of feed and/or forage in an attempt to absorb the initial ten cent increase in grazing fees. It is not certain, however, that sufficient adjustments could be effected to meet a continuing series of grazing fee increases over time under the present structure of range livestock operations.

The productive capacity of most all cattle ranch operations in Elko County is tied to use of federal rangeland. An inability of the ranch operator to overcome reduced net income resulting from a series of increased grazing fees would result in the decline of the value of the base ranch unit. An example of such a decline may be illustrated utilizing the initial ten cent increase in grazing fees. If a ten cent increase could not be compensated for by increased efficiencies or alternative economic opportunities, then the values of the typical ranch operations in this study would be reduced by \$2,560, \$6,420 and \$22,200 for small, medium and large ranches, respectively.²⁰

Mr. SWALLOW. Gentlemen, again, my name is George Swallow. I am a rancher in eastern Nevada. I have been in the ranching business most of my life. I have been a member of the local advisory board for many years. I have been a member of the State multiple-use advisory board until just recently. I have been chairman of that board for a number of years. I have served on the National Advisory Board Council. I was a member of the advisory committee when the fees were

¹⁹ The economic impact analysis is shown only for the 10-cent increase in grazing fees.

²⁰ Reductions in average values of ranch operations were calculated by capitalizing at 5 percent the reduction in net ranch income of the three size groups as a result of the 10-cent increase in grazing fees.

upped the 50 percentage points from base established in 1955 which tied the fee to the price of livestock, which was a proper method at that time, and it still is today, of determining the grazing fee on public lands for livestock.

I am going to say, make a statement, that not all of the leaders of the livestock industry I'm sure today will be in agreement with, but I am sure that 90 to 95 percent of the grassroots stockmen in the Western States are in agreement because myself and my colleagues have had the opportunity the past number of months of visiting many, many people in these Western States, and the feeling is unanimous that the industry should never have agreed to a study based on commercial rates, fair market value, so to speak.

The reasoning back of that is this, that the Taylor Grazing Act does not require this. It is not a logical way. It is not a proper way to approach the subject. The Taylor Grazing Act when it was enacted, was enacted on the basis that the grazing fee would be a reasonable fee. There were a number of amendments offered at the time which is a matter of congressional record. I refer to one particular amendment, the Cliberg amendment from Texas, and the matter of whether these fees should be tied to commercial rates was debated hotly at the time, and thoroughly.

And it was determined definitely that the grazing fee should not be tied to the commercial rates.

Now, going a step further, referring to the grazing fee study of 1966, the industry does not have the details of this study. The industry has not been made aware of the various areas of study of the 14th and also the 15th point, including the price of the permit.

Now, assuming that we did have to consider the commercial value, then the industry is not entitled to all of the study. We have heard, and we are somewhat inclined to believe, that the States of North Dakota, South Dakota, even Kansas, Iowa, some of the States that are not public land States generally so to speak, were used in the survey to determine pasture rates.

We have also been told that in determining the value of an animal unit month on BLM was \$14.41, on the Forest it was \$25 plus. This in itself is a discrepancy because an animal unit month fee technically is an animal unit month fee, and today it is impossible to go out and buy a permit, that includes the base land, the water, the basic improvements, on the BLM without paying an average cost per animal unit of \$400 to \$1,100 without the livestock. I mean this can be documented.

Another fallacy in the study is this: The researchers in the questionnaire, which actually was a format, in our opinion, which was designed to bring about a preconceived notion on grazing fees, in this they asked people, "What did you pay for your permit back in 1900, or coming up to when the Taylor Grazing Act was enacted in 1934.

"What did you pay for this?"

Well, many of them never paid for it. But if you are going to determine the value of a permit, any qualified appraiser, any qualified banker, any qualified, knowledgeable person is not going to take figures that were derived way back at the start of the Taylor Grazing Act.

Mr. BARING. Will you bring it to a close? You are over the time limit.

Mr. SWALLOW. Thank you.

In conclusion, we would like to request and recommend that this committee extend these hearings into the field so that the industry from the grassroots has an opportunity to present fully and completely the findings in every respect. We further request that your committee initiate legislation which will tie the grazing fee to the price of livestock and limit the authority of the Bureau of Land Management and the Forest Service.

I thank you.

Mr. BARING. Thank you very much, gentlemen.

Our next witness—

Mr. SWALLOW. Mr. Chairman, I would like to—I have a prepared statement which I would like to have included in the record.

Mr. ASPINALL. It will be included in the record. We have read it. It is a very good history.

Mr. SWALLOW. Thank you.

I would like the opportunity of including the statement of Mr. Vernon Metcalf, which I do not have with me but which is prepared. He is a consultant to Western Industry, and we will appreciate having his statement included in the record.¹

Mr. BARING. The record will be held open for 10 days after the hearing for statements.

Mr. SWALLOW. Thank you.

(The complete prepared statement of Mr. Swallow, above referred to, follows:)

STATEMENT OF GEORGE N. SWALLOW, CHAIRMAN, WESTERN INDUSTRY ORGANIZATION

My name is George N. Swallow. I am a rancher and livestock operator in eastern Nevada. Today I appear before your committee representing the Western Industry Organization. The members that I represent today are livestock men who graze livestock on the western public lands.

We are deeply concerned regarding the grazing fee increase now in effect in accordance with notice published in the Federal Register Volume 34, Tuesday, January 14, 1969 and correction notice appearing in Federal Register Volume 34, Friday, January 17, 1969, as a result of proposed grazing regulation published on November 16, 1968 in the Federal Register. The new regulation states that the purpose is to authorize the determination of grazing fees which reflect fair market value as a range forage pricing objective based upon an appraisal of operating costs which considers comparability between federal and private grazing lands. The order further states that such an appraisal has been accomplished in the form of the Western Livestock grazing survey of 1968. The order admits that the new regulation will have an impact on the livestock industry. The change provides that the secretary may adjust the fees annually in order to maintain the comparability between public and private lease lands through the annual application of a forage value index which establishes the rate of increase or decrease occurring in private lease rates for similar type range lands.

The change additionally provides that the base fees may be studied periodically to determine if adjustments should be made. The arbitrary and unsubstantiated grazing fee increase disregards many of the items included in the study. There are both economic and un-economic reasons why grazing fees should not be increased. The valid economic objections are too numerous to list. The immediate effect of an upward adjustment of fees would be an increase in cost of production and a corresponding reduction in ranch income.

This would result in substantial capital losses. On BLM lands the 1969 fee has gone from 33¢ per animal unit month to 44¢. This is based on the intent to raise fees 9¢ each year, plus a "forage index" of 2¢. The forage index will, we under-

¹ Mr. Metcalf's statement begins on p. 454.

stand, be reviewed each year, but the 9¢ each year for ten years is built in. It appears as if the forest fee proposal calls for \$1.23 AUM as a base fee at the end of ten years. To figure that 1969 fee, it appears as if you would use the 1966 fee, subtract it from \$1.23, take 10% of the difference, add it to the 1966 fee, and add the 2¢ forage index.

The nearly 400% boost in grazing fees is extreme and will put many public land users out of business. The new fees will raise costs on some 23 million AUM's of grazing; on 770 million acres of public land, a third of the U.S. land area. There are 182 million acres in national forests; 27 million in wildlife refuges and ranges; 18 million in parks and national monuments, and 482 million acres of uncommitted land managed by the BLM.

SUMMARY AND CONCLUSIONS

Forty-four years before the enactment of the Taylor Grazing Act, the Supreme Court of the United States held that public lands of the United States were free to the people who sought to use them for the purpose of grazing livestock so long as the government did not forbid such use.

In most of the public land states, livestock units had been formed long before the Taylor Grazing Act was passed. These operations consisted of the Private base land, public land and the livestock. These livestock operations harvested the grass that grew on the public land, converted the grass to pounds of meat, which in turn produced new wealth for support of the local and state economy.

After the Taylor Grazing Act was enacted in 1934, it was required that a rancher must have priority and own base properties in order to qualify for a grazing license on the public domain.

The livestock industry that relies on public lands for grazing under the Taylor Grazing Act is facing a radical new philosophy in the assessment of fees for this grazing right—raise fees no matter what!

First of all, it must be remembered that when passage of the Taylor Grazing Act was being solicited, Secretary of the Interior, Harold Ickes, said that grazing fees should be tied to the cost of administration and: The cost can be held to a very nominal figure.

This fee was set at five cents per AUM and remained at that figure until 1947.

Between 1936 and 1947 when the five-Cent fee was in effect, administration costs and collections of the old grazing service became extremely disproportionate—with collections left way behind soaring costs.

This factor aroused the ire of our leading Senators and Congressmen of the day. Among them was Nevada's Honorable Senator Pat McCarran, who finally, in 1946, became a leader in the movement to cut the cost of the Grazing Service back to more realistic levels.

Then the Grazing Service was reorganized and merged with the old General Land Office to become the Bureau of Land Management—its present form.

During the period of readjustment, the District Grazing Advisory Boards—a system advisory council to the Secretary of Interior on grazing matters on public land which is recognized as such by amendment to the Taylor Grazing Act—underwrote much of the costs of the BLM to keep it alive during this time of reorganization.

Out of these years of experience with the Grazing Service and the National Advisory Board Council and its local appendages, two very important precedents were established:

1. The administration costs—or, at least, those costs which are attributed to the grazing of domestic animals on public lands—must not be allowed to become outlandishly disproportionate with fee collections.

Because if they are, it leads to public animosity toward the BLM; unfounded charges of subsidy directed at the livestock industry; and, possibly, a precipitous disorganization of the Federal governmental agency as happened in 1946.

2. The second precedent act during the landmark years between 1934 and 1947 was that the NABC system was recognized by statute and practice a valid, highly valuable partner to the Secretary of Interior in administering the public lands.

The next major period in the history of the life of grazing fees assessed under the Taylor Grazing Act is from 1947 to 1955.

This period began with the adoption of the Nicholson Report which analyzed BLM requirements and geared these needs to a satisfactory fee.

The fee was then set at eight cents per AUM, but the inflationary trend following World War II ate away at the real worth of the fee collections in relation

to legitimate costs. A reappraisal was called for to give the fee system flexibility in relation to pricing and profit conditions within the livestock industry.

In 1955, then, the fee was set at a rate based on the average per pound market price for cattle and sheep in the preceding year. This fee formula was continued through to 1962.

On the whole, it has been highly satisfactory in that it gives the rancher a feeling of stability. He feels that his grazing costs on public lands will not outrun his profits—nor will his payment be too low when he is getting a high price for his stock.

He finds he can explain this fee very easily to his city neighbors. It is the same for them in their relations with the Federal government—in that their tax rate goes down with less net earnings—and conversely goes up with increased profits.

Unfortunately, for the Department of Interior and especially so for the livestock industry, the price of cattle and sheep is approximately the same as it was 20 years ago. As a result, the livestock industry is suffering one of the worst profit droughts in its history.

This fact is made abundantly clear in economic studies sponsored by the Department of Interior recently and conducted by land grant colleges and the Department of Agriculture's Economic Research Service.

Nevertheless, the appropriations for the BLM have increased 42 percent between 1960-1962 and those monies attributable by the BLM to grazing benefit jumped by almost 40 percent.

So, understandably, there is some agitation by the Federal government to raise fees—otherwise higher grazing costs cannot be justified over the long run.

Since we are all aware of the long-run price stagnation that has afflicted the livestock industry, it would appear that a new philosophy must be advanced to justify an increase in fees.

So officials of the Department of Interior have alluded to an adjustment based on what they term "Fair Market Value." This, Assistant Secretary of the Interior, John A. Carver, Jr. explained in 1961, at Tampa, Florida, to mean the value " * * * as established by appraisal or competitive bidding * * * "

However, in fairness to Mr. Carver, it must be stated that he qualified this statement by adding that " * * * where competitive bidding would result in destroying established ranching operations dependent upon Federal Grazing lands as provided by law other methods of determining fair market value consistent with the circumstances shall be used."

However, with this qualification, the Assistant Secretary admitted the basic fallacy in the "Fair Market Value" principal.

He then alluded to prices paid for grazing permits on private and Forest Service-administered lands which, he thought, were comparable to nearby BLM-administered lands and suggested that on this comparison basis, grazing fees might be adjusted upward.

Again, Mr. Carver admitted the fallacy of this comparison when he confessed that when taxes and an inferred interest were deducted from the grazing fee charges on the private land that the 60 cents per AUM "fair value" fee was not even covering the owner's fixed costs.

In comparing these lands, Mr. Carver did not weigh the basic difference of use and that is in order to be eligible to use BLM land you must have a substantial base property investment—while with other leased lands, you generally do not. Therefore, this factor must be computed in cost comparisons.

Then, early in 1961, the results of the various studies that the Department of Interior sponsored began to come in. They showed the public land users in the livestock industry to be in a deplorable financial strait.

But, this fact did not lower one degree the fever the Department of Interior officials were running—in regard to raising the grazing fee—whether or not such a raise would be substantially instrumental in putting a segment of the livestock industry out of business.

So now the grazing fee hike push was advanced this way—and it was candidly admitted by Interior Department officials.

This is that the Department would continue to use the present market average formula—but the Secretary of the Interior would have the authority to further arbitrarily adjust the fee as he would see fit.

His intention of doing this came to light in a rather startling and arbitrary manner by the publication in the Federal Register January 2, 1962, of a notice of proposed rule making with a scant 30-day grace period for public comment.

This type of conniving and contriving to justify a raise in fees—despite the fact that the industry had shown itself as being unable to afford it—was simply a flagrant case of dictatorial, illogical action.

What is more, unilaterally taking that action the Department of Interior officials were subverting and disregarding the board precedent that the NABC sits with equal dignity on these matters with the Secretary of the Interior.

Following the publication in the Federal Register by the Secretary of the Interior, January 2, 1962, of a notice of proposed rule making, with respect to grazing fees, which allowed the Secretary of Interior to add a percentage to the then existing formula and raise the fee to any amount desired, struck fear and consternation among livestock people throughout the west. Practically all livestockmen appealed to their representatives and senators in Congress for a stay of the effective date of the notice. The unified action brought results. The raise in grazing fees, which was eminent, was postponed.

The grazing fee matter was discussed at the 22d annual meeting of the NABC at Albuquerque, New Mexico, February 19-20, 1962. In addition to the NABC members, participants who made statements included 33 people who represented large groups of people or institutions.

At the Albuquerque meeting, the NABC was given the job of determining the best way to raise fees. Benevolent department and secretary gave the stockmen this admonition, "fees can be adjusted gradually but there is no escape from the conclusion and they must be revised upward."

At the Albuquerque meeting, strong protests regarding the proposed raising grazing fees was voiced by sheep and cattle organizations and individuals. The opposition to an increase was practically unanimous from all of the public land states.

At the Albuquerque meeting, the NABC agreed to make a study to determine the best way to raise grazing fees. Following this action, the Council voted to appoint a 7-man committee of the Council to make a study of the grazing fee problem.

The special grazing fee committee of the NABC started work immediately. A meeting was held in Salt Lake City on April 18 and 19, 1962, to study all information available. At this meeting, it was determined that the committee, with the aid of the department would formulate a questionnaire to be sent to all local and state boards in the public lands states. After the questionnaire was revised, and revised, and finally sent to the boards, it was so complicated, tricky, and difficult to understand, that even a computer couldn't come up with the right answer without being confused. The results of the questionnaire showed 88 in number of Boards favored no change in the fee or the fee formula. No state board favored differential fees within districts or states. All state boards recommended a uniform fee as opposed to differentials on basis of range conditions and seasonal type.

A final meeting of the special committee on grazing fees, NABC met September 20-21, 1962, in Denver, Colorado. At this meeting, the economic report was brought up for discussion. The national summary of questionnaires on BLM grazing fees was also studied and discussed. It was stated that there could be no assurance that a higher fee would alleviate criticism of the livestock industry. It was stated that getting away from criticism was not a valid basis for raising the fee. Again, at this meeting, Secretary Carver discussed the matter of increasing the grazing fee. He mentioned the pressures of outside interests. In this connection, he referred to the Bureau of the Budget, Congress, and the wildlife interests. He also stated as follows regarding the economy research report which showed clearly that the livestock industry could not stand additional expense "I recognize the validity of the economic data but governmentally, I cannot see how we can continue to justify 19 cents when other units of the U.S. Government, for the same type of forage, are charging so much more. I think the industry would be well off to move toward equalisation on its own terms rather than have this opposed from above. That is the explanation of my approach to it." Secretary Carver further stated that he thought it was short-sighted to say that the industry could not afford any increase, since an increase in fees would buy a lot more security for the industry than just the security they had by keeping the low fees. At this meeting a formula recommendation in the form of a resolution was made to the NABC.

The NABC met in Las Vegas on November 14-15, 1962. At this meeting, an identical resolution was passed by the membership of the entire expanded Council

by a vote of 37 to 2. This vote was interpreted by the Interior Department as a go-ahead signal to raise grazing fees, and on which represented the considered thinking and feeling of all of the public land states with the exception of Nevada.

Following the National Advisory Board Council meeting in Las Vegas, Nevada in 1962, the Department of the Interior continued to pursue a policy of increased grazing fees based on commercial rates.

In July, 1964, the Bureau of the Budget issued a statement of principals governing user charges of all types of federally-owned natural resources. The statement provided that a uniform basis be used by all agencies in establishing grazing fees. The statement continued, "Fees are to be based on the economic value of the use of public grazing land. To the user, taking into account such factors as the quantity and quality of forage, accessibility and market value of livestock. The economic value of use is to be set by an appraisal that will provide a fair return to the government and equitable treatment to the user."

The Bureau of the Budget statement of principals crossed agencies and departmental lines in its direction and an interdepartmental grazing fee committee, consisting of representatives from the departments of Agriculture, Defense, and Interior was designated to coordinate fee work.

Grazing fees on national forest lands are authorized by the Secretary of Agriculture's regulation G-5 "fees payment and refunds", (36, C.F.R. 231.5).

"Fees presently charged for livestock grazing on the national forests use a base derived from a 4-year study beginning in 1920 and include modifications resulting from review by an industry representative and later meetings with the livestock industry extending through 1927. The basic premise of this study was that private land data and range values could be used as a basis for determining the value of national forest range. Base fees derived in 1931 averaged 14.5 cents per head per month for cattle and 4.5 cents for sheep. Average prices received by producers in the 11 western states during the period of study were established as the base prices for use in determining the relationship between current grazing fees and current livestock prices."

The pressure of increased grazing fees by the BLM was followed by a U.S. Forest Policy Statement on grazing fees at a sheepmen—cattlemen public lands conference in September, 1965. This pressure continued to increase and was further accelerated at a meeting of the National Advisory Board Council held in Riverside, California, March 28-30, 1966.

A pre-arranged format that had been developed by the ANCA and the Bureau of Land Management was presented at the Riverside NABC meeting. At the time, it was clearly evident the grazing fee study format, if adopted, would place the livestock industry operating on public lands in a defensive position. The grazing fee study format with slight variations was adopted by the NABC. The only thing now required to bring down the total destruction of the livestock industry in the public lands states was to follow the grazing fee format to a conclusion.

Later, what is known as the Western Livestock Grazing Survey of 1966 resulted. This study was based on comparing the cost of use leased private range land to the cost of using comparable public range lands. The difference between cost of using private compared to public land was to be the basis for determining what the grazing fee on public lands should be. The study was a joint program by the Forest Service and the Bureau of Land Management, The Statistical Reporting Service conducted the survey and provided the initial analysis of the data.

Data from interviews with 10,000 ranges and 500 financial institutions were compiled.

Possible fee increases on Bureau of Land Management lands were discussed at the November 18, 1965 meeting of the NABC in Denver, Colorado. Again, grazing fee increases were discussed in the NABC meeting in Phoenix, Arizona, April 3-5, 1966.

Because of the forthcoming presidential election in 1968, little reference was made to the subject of increased grazing fees at the NABC meeting held in Reno, Nevada, April 22-25, 1968.

On November 16, 1968, there was published in the Federal Register a proposed rule making the text of amendments and revisions to the regulation governing grazing on Public Lands within officially designated grazing districts. The effect of this proposed rule would boost grazing fees nearly 400%. Tuesday, January 14, 1969, the new proposed regulations were made the Law of the Land.

The proposed new grazing regulation and the implementation ignited a range war in the public land states. It is apparent that permit values will be reduced to zero, also entire ranging livestock units will be substantially reduced in value.

The average livestockman in the public land states is not buying the Western Livestock Grazing survey of 1966. The average grass roots livestock operator in the public land states is not being intimidated and is not subscribing to the policy of the ANCA to agree to a hike in BLM fees from 33¢ per AUM to 44¢ because "the studies show it is justified." The livestockmen do not feel the value of an AUM of BLM feed is correctly valued at \$14.41 per AUM. The SRS feels that grazing permits of forest land have an association values of \$25.35 per animal unit month "AUM".

On BLM land the value is \$14.41 per AUM. Basically an AUM of feed is the same on the BLM and forest, therefore, there is an obvious discrepancy in computation somewhere.

The average livestockman who operates in the public land state is alert, intelligent, and is not subscribing to a survey of which the format was designed to bring about a result which would justify a preconceived notion regarding an increase in grazing fees.

An injunction suit was filed by five Utahans in the United States District Court for Utah against the U.S. Department of the Interior and its Secretary Stuart L. Udall claimed that the grazing increase to become effective March 1, 1969, was "unlawful and contrary to the provisions of the Taylor Grazing Act." A similar suit was filed later by the American National Cattlemen's Association in Albuquerque, New Mexico.

Prior to the last meeting of the NABC held in San Francisco, prominent members and officers of the ANCA started a movement to urge the livestock industry to agree to an increase in grazing fees for the 1969 grazing season of 11 cents per AUM. The reasons for this illogical move were from the standpoint that unless the industry accepted the 11 cent increase, the industry would suffer a worse fate—a graduated increase to at least \$1.23 per AUM. A statement was made by the ANCA as follows:

"Stockmen aren't arguing about a hike in BLM fees from 33 cents per AUM to 44 cents in 1969—studies show it was justified. But the big issue is the intent of Secretary Udall and Secretary Freeman to wipe out the value of a major ranger investment, the completion has forced them to make over the years—the capital cost of a permit."

This action of the ANCA opened the door wide for an increase in grazing fees. In the first place, the Western Livestock Grazing Survey of 1966 did not, in the final analysis, show a true and factual picture by comparison of grazing fees charged with commercial rate.

CONCLUSION

The Taylor Grazing Act was passed, among other things, to stabilize the livestock industry. It was the intent of Congress when the Taylor Grazing Act was passed that a low fee be assessed in order that the economy of local areas be protected. It was the intention that there be a reasonable fee at all times.

Now the Interior Department and the Bureau have adopted a new philosophy which in effect, divorces the public land away from base qualifications. This, in turn, will destroy the economy of local communities.

The Department of the Interior and the Bureau have propagandized the public into believing that the livestockman is paying a fee which is very low. This is done continually by reckless comparisons by the present grazing fee and fees charged on L.U. Lands, Indian Lands, Railroad Lands, state leases and private pasture. These comparisons are dissimilar and misleading. The Department fails to show that these lands are residue lands, and that the permittee who uses these lands is exposed to severe drought, severe winters; that improvements must be made on these lands which require the expenditure of large sums of money in the form of labor and material in order to harvest the feed.

That the users of these lands have larger losses of livestock than users of other lands. The BLM has failed to inform the general public that a permittee, in order to make use of these lands, must make an over-all investment of approximately \$700.00 per animal unit in land, range and livestock; that this amount capitalized at 7 percent on a 12-months' operation shows the permittee paying \$4.08 per AUM as an interest charge. Now this is before amortization of investment, taxes, labor, management, equipment, costs, cost of hauling water, etc. In 1961 the Department came out with wizardly figures such as statements to the effect that the average permittee pays \$100.00 a year for grazing fees; then an increase in grazing fees is only 5 percent of the average rancher's budget.

These figures have been obtained by reflecting figures with the use of magic mirrors.

In 1962, when the Department gave the NABC a mandate to raise grazing fees, in my opinion, this bordered on blackmail. I ask you, how can a group of district advisory board members, state advisory board members or NABC members, when surrounded by a battery of federal officials who have dictatorial life and death authority over the livestock industry, make objective decisions which will not injure the industry? In any honest opinion, present rules and regulations regarding advisory boards put into effect by the Department changes the stature and dignity of advisory boards; makes it impossible for the advisory boards to truly represent the industry members.

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The livestock rancher cannot continue to operate with the present grazing fee. The new increase will destroy the livestock industry in the Public Land states.

We sincerely recommend and hope your committee will initiate legislation which will establish a low and reasonable grazing fee tied to the price of livestock. Such legislation should establish limitations upon the authority of the Bureau of the Budget, Forest Service, and the Bureau of Land Management in setting grazing fees for public lands. The public interest demands the remedial legislation be passed.

Mr. BARING. I am sorry I made this mistake.

Mr. Floyd Beach, Colorado, past president of the Cattlemen's Association—Mr. Beach, I had you marked off as having testified, and I am very sorry.

Mr. BEACH. That is all right.

Mr. ASPINALL. Mr. Beach is another one of my neighbors, Mr. Chairman.

STATEMENT OF FLOYD E. BEACH, REPRESENTING THE UNCOMPAGRE CATTLE & HORSE GROWERS ASSOCIATION

Mr. BEACH. I have a very brief statement, and I will read it in the time that you fellows have given me.

Mr. Chairman and members of the committee, my name is Floyd Beach. I represent the Uncompahgre Cattle & Horse Growers Association, an affiliate of the Colorado Cattlemen's Association. While I've been in the livestock business all my life, I'm now representing the entire community, including the sportsman and small business groups interested in the continued use and conservation of the Federal lands and forests and the natural resources thereon.

I was developing water and building reservoirs on public lands long before the Forest Service had money available for the development and conservation of public lands. These practices increased the carrying capacity of these grazing lands **many times over**.

I thoroughly object to the increase in grazing fees as well as the structure of the increases on these Federal lands published in the January 14, 1969, issue of the Federal Register.

While livestock prices have remained relatively constant, operational costs have been skyrocketing, and the announced grazing fee increases will only add more burdens on the already overstretched budget of most ranchers.

With the growing emphasis on multiple use and increasing involvement of permittees in the costly allotment management plans required in the use of Federal rangelands for grazing, there can be no doubt that the "Public Benefits" have been increasing in quantity and quality, not diminishing in recent years. This points up, I believe, a major defect or omission in the Secretary's proposal to increase the fees based on the results of the 1966 survey. Neither in that study nor separately on his own motion does it appear that the "public benefits" have been taken into account as a part of the fee-fixing process prescribed by statute for the guidance of the Secretary.

If the cost data is broken down by State or district, there is evidence that a minimum of three or more fee levels is justified. The value of the livestock grazing permit is affected by and closely related to the multiple use concept.

A substantial loss in ranch equity and increased operating expenses, resulting from the failure to recognize the dollar value of the permit as a cost of running livestock on Federal lands, would force many range livestock operators to liquidate, forcing in turn livestock lending institutions involved to critically evaluate whether they could justify extending short term, intermediate or long term credit to livestock operations dependent upon the use of Federal grazing lands any longer.

Forcing range livestock operators to liquidate by ignoring the dollar market value of the permit would result in severe and adverse economic effects on many rural communities throughout the Western United States who are either totally or largely dependent upon the economic stability of the livestock industry. This grazing fee proposal would result in the loss of millions of dollars to local businesses and governments, dependent upon a healthy and economically stable livestock industry.

Chairman Aspinall, you personally know the benefits derived from the multiple use of public lands. Many of us have dedicated our lives to preserve and perpetuate the land we have used. This is our heritage and we want individual initiative and the love of the land, not the dollar sign, to prevail.

I thank you, gentlemen.

Mr. ASPINALL. Mr. Chairman, I just want to say that Mr. Beach is one of the leaders of Delta County. He has been dedicated to this question of multiple use for decades. He has been making it work.

Thank you very much.

Mr. BARING. Donald Aldrich, executive secretary of the Montana Wildlife Federation.

STATEMENT OF DONALD ALDRICH, EXECUTIVE SECRETARY, MONTANA WILDLIFE FEDERATION

Mr. ALDRICH. Mr. Chairman, members of the committee, I am Donald Aldrich, executive secretary of the Montana Wildlife Federation. We believe that federally owned lands are the key areas available for optimum wildlife and recreation production. It is our desire to protect the quality of these lands and to insure our privilege to use them. We support the Secretary's new regulations and would like to have my statement, our policy, and other materials I will provide you, entered into the minutes of the hearing.

We are not alone in our desire to strengthen grazing fee regulations. A dissenter at a recent convention of the Montana Wool Growers Association pierced the conscience of his colleagues when he asked how they could in conscience denounce the Government's gradual grazing fee increases when they were charging more than twice as much on their private property.

A Montana study showed that the fees paid for comparable forage on private lands ranged from three to 10 times that paid on public lands.

The lowest bid received by the Bureau of Land Management for forage at Fort Mead near Sturgis, S. Dak., last week, was \$2.40 per animal unit month. The average was approximately \$4.50 and the highest bid was \$8.59.

Despite criticism of fee increases, it is obvious that the most concern is directed toward the public land grazer's instance that "permit value" be recognized and capitalized.

Permit value developed because of the very low fees that have always been charged for forage on public lands and the absence of competitive bidding. In other words, low forage costs and the guarantee of no competition are valued by ranchers, and they are willing to pay premium prices for it.

Those grazing on public lands say they support the concept of fair market value. But they insist that the Federal Government capitalize permit value at 6 percent a year in perpetuity. This would be subtracted from the grazing fee. In the case of the proposed \$1.23 base fee for public land grazing, 86 cents—6 percent of \$14.50—would be subtracted, leaving a grazing fee of 45 cents. If the permit value increased to \$22.17 a cow month, the permit holder would pay no fee. Carrying this approach further, in theory, any higher permit value could end up with the Federal Government actually paying a rancher to graze livestock on the public lands. I suggest that any such arrangement is untenable and grossly unfair to the American taxpayer.

Thousands of operators running livestock on public lands paid nothing for their permits. By the accident of being there, they acquired

permits when the range was divided. How do we separate these operators? Should they be paid for permits they got for nothing?

The low grazing fee on Federal range has encouraged widespread, legally questionable subleasing. For example, in the eastern Montana BLM grazing districts of Billings, Lewistown, Malta, and Miles City, over 50 percent of the BLM forage that is sold is subleased. In the Lewistown district alone, it's over 90 percent! The rates charged for this forage range from 10 cents to \$4.42 per cow month more than that charged by BLM. In other words, about 60 percent of the BLM forage in eastern Montana goes to the individual livestock operator through middlemen and organizations at rates up to 14 times the BLM rate.

In the past 2 years, one banker has purchased four ranches with sizable public land grazing permits. He doesn't run a cow. Instead, he subleases for an average of \$4.25 per cow month. He pays nothing toward the purchase of those ranches. What he makes from subleasing Federal range carries the payment. If this were an isolated case, I would not be too concerned. But I am sure that there are a number of similar cases. My point is—should public grazing be stabilizing the livestock industry, as intended by the Taylor Act, or should it be lining the pockets of a growing number of middlemen? And, if we're going to continue to finance the subleasing people with public grass, should not Uncle Sam be getting a larger share of the action?

Through the sale of forage to State grazing districts in Montana, who in turn sublease to individual operators, Federal lands provide over \$100,000 a year to support State grazing district and Montana Grass Commission costs. In turn, these funds are regularly used to organize and lobby against the Federal agencies. How long should the American taxpayer permit this to continue?

A well-documented case is the Pizeance Creek area of northwest Colorado where permittees pay about \$11,500 annually for grazing fees on 280,000 acres of BLM land and then collect \$17,500 from hunters in the fall for "trespass fees" on these same BLM lands. (USDA, Misc. Pub. No. 1122, December 1968.) We suggest that public land belongs to all of us and we further suggest that continued exclusive use by a minority will be somewhat dependent on the attitude and responsible action of current users.

Last December, BLM Advisory Committee in M2 and M3 districts in Montana not only agreed that a move toward a reasonable fee was warranted, but they also approved the increase of 9 cents per cow month per year for at least 5 years. Additionally, they approved tying the computation of the fee to the average price of private forage. These two boards represent about 1,200 eastern Montana ranchers that use the public lands.

A number of prominent livestock operators have told me that they oppose what amounts to the continued subsidizing of a small minority of the livestock industry. They also say that low fees for a few perpetuate unfair competition with the stockgrower who has to pay taxes on his deeded land and market prices for grazing leases. As one rancher with no public lands told me:

I get socked twice by the low public land grazing fee. Not only do I have to compete against low-priced grass, but my private lands have to carry higher taxes because there are no taxes coming from the public lands.

County officials, hard pressed in their search for new sources of revenue, expressed support for the increase. Because they share in Federal grazing receipts, they see a possible fourfold increase in money coming to the counties in lieu of taxes. They also see a possible four-time increase in the range improvement fund, which benefits local economies through rangeland developments. In the legislation that has been introduced to force recognition, or capitalization, of permit value, has consideration been given to what will happen to the in-lieu payments going to the State and counties? Is the Congress prepared to reduce or eliminate moneys that are particularly critical to counties with heavy concentrations of public lands? Surely increasing permit values and fixed capitalization on rates would have to reduce and, eventually, eliminate the base from which in-lieu payments are derived.

Several Senators and Congressmen have indicated that the Taylor Grazing Act should be amended. I suggest that any amendment of the act at this time might be premature. Has not the Public Land Law Review Commission specifically been charged with the task of reviewing this act for adequacy? But if the act is to be opened to amendment in advance of the findings and recommendations of the Public Land Law Review Commission, then I urge that the job not be done piecemeal; that the entire act be tested for adequacy in light of the challenges of 1969. To this end, I urge committee consideration of the following:

1. With few exceptions today, Uncle Sam receives fair market value for his resources. Timber, oil and gas, gravel, and land sales are by bidding with fair market value as a base. Even copies of records are sold at fair market values. Royalty payments, when appropriate, are in line with those being received in the private sector. Is it not time for the American taxpayer to receive fair market value for public land forage resources also? I urge that any amendment of section 3 of the Taylor Grazing Act clearly establish fair market value as the only basis for the sale of public forage.

2. There is a need to clearly establish that public lands are publicly owned for public use. Such is inhibited by section 18 of the Taylor Act, which limits district advisory board composition to stockmen and one wildlife representative. No other interests can be represented. If the Taylor Act is to be amended to benefit all Americans, it should provide for bona fide multiple use advisory boards at the district level.

3. Section 6 of the Taylor Grazing Act clearly prohibits any restriction of public ingress and egress to the public lands. Yet millions of acres are effectively barred to public use by interspersed private lands; illegal posting bars access to millions of additional acres. If public lands are to become truly public, then the Taylor Act, possibly section 6, should require the guarantee of public access as a requisite to the granting of a lease, license, or permit.

We support the Secretary's new regulations. I have a rather lengthy statement I shall not try to read. Also, I have a position of the Montana Wildlife Federation on the grazing fees and a statement from one of our sportsmen's clubs, the Gallatin Sportsmen's Association, that I would like, along with my statement, read into the record of the meeting, with your permission.

Mr. BARING. Without objection the information will be placed in the record.

(The documents referred to follow :)

POSITION OF THE MONTANA WILDLIFE FEDERATION ON THE PROPOSED GRAZING
FEE INCREASE FOR PUBLIC LANDS

(Adopted Dec. 15, 1968)

The Montana Wildlife Federation reiterates its position that the return from the sale of public land resources, whether they be coal, oil and gas, timber, minerals, or forage, should be based upon the concept of fair market value. The Federation also believes that the public lands truly belong to the people of the United States, and that they should be managed under the principles of multiple use to best serve all of these people. The Federation believes also that vital part of such a policy is the requirement that no user shall be able to gain or claim a greater title than any other in the public lands. At the same time, it recognizes that an increase of payments in lieu of taxes is essential to those areas with concentrations of public lands.

In consonance with the principles stated above, the Montana Wildlife Federation concludes and recommends as follows in regard to the proposal of the Secretaries of Agriculture and Interior to increase the fee for grazing upon the public lands, and to establish fair market value as the criterion for establishing such a fee:

1. The need for a grazing fee increase is recognized.
2. The Federation is not concerned per se with the specific amount of the proposed fee increase, except to the extent that it leads to a fair market value return for public land resources.
3. The tying of the grazing fee formula for public lands to the average price of forage on private lands in the eleven Western states is a sound and valid approach to achieving fair market value.
4. Recognition of permit value is prohibited by Section 3 of the Taylor Grazing Act, and recognition of such a value, if it exists, is not only contrary to law, but would amount to acknowledgement of an ownership or "right" of one segment of the population transcending that of others, over and above the privilege to graze domestic livestock. The idea or concept of "permit value" therefore must be rejected if public lands are truly to remain public.
5. The percentage of the public land grazing fee returned to the states in lieu of taxes should be standardized for all classes of public land, and should be increased so as to provide badly needed additional support for public roads, schools, and other public services in those areas where concentrations of public lands exist. The one-third portion of the total fee going to range improvements should be continued; of the remaining two-third portion, 50 percent should be returned to the states in lieu of taxes.

STATEMENT OF GALLATIN SPORTSMEN'S ASSOCIATION, BOZEMAN, MONT.

The Gallatin Sportsmen's Association, speaking for sportsmen and conservationists in the Gallatin area of Montana, wishes to be on record for the March 4-5 hearing: (1) in favor of increased grazing fees to users of public land and (2) in opposition to any official recognition of the so-called "permit value" which permit holders now claim.

A minority of the cattle industry (less than 20 percent) enjoys the privilege of holding public land grazing permits, and it appears that a small part of this group is making all the noise in opposition to fee increases. Most cattlemen recognize that the public land permit holder has always enjoyed a subsidy in the form of token grazing fees, and we believe that a secret ballot among cattlemen would show a majority in favor of increased public use fees.

We think the facts speak for themselves. A raise to 44 cents from 33 cents per animal unit month on BLM land would cost the operator with a 100 animal permit an additional \$11.00 per month. If he grazes on public land for 6 months the extra cost would be \$66.00, or about half the price of a good yearling steer. If this type of extra cost is going to put the operator out of business than he must be in critical condition when one of his critters dies of natural causes. In the Gallatin Valley, the usual rate on private land varies from about \$3.50 to \$5.00

per animal unit month. If our operators can stay in business with these rates then surely the user of public lands can afford an 11 cents per animal unit month increase for many years to come, when he starts from a base of 33 cents in the case of BLM land.

In grazing districts where public land is included, the land is usually subleased for fees much higher than those which the Federal government receives from the same public land involved. Not only do most grazing districts make large profits by subleasing public lands, they usually look and act unfavorably on requests by members of the general public who want access to and multiple use of the public lands involved. A well documented case is the Piceance Creek area of northwest Colorado where 20 permittees pay about \$11,500 annually for grazing fees on 280,000 acres of BLM land and then collect \$17,500 from hunters in the fall for "trespass fees" on these same BLM lands. (USDA, Misc. Pub. No. 1122, Dec. 1968). We suggest that public land belongs to all of us and we further suggest that continued exclusive use by a minority will be somewhat dependent on the attitude and responsible action of current users.

We strenuously object to any official recognition of the "permit value" concept. If the Federal government recognizes capitalization of permit values (\$25.00 is the average permit value per animal unit month recognized by the livestock industry for national forest land) at 6 percent a year and allows this interest to be subtracted from the grazing fee, then with presently low fees the Federal government could conceivably end up paying the operator for grazing his livestock on public land. Also, such recognition might allow States to tax possessory interests of ranchers, a step that could be viewed as giving the rancher a property right for grazing on public lands.

Mr. ALDRICH. I would like to answer one of the questions that came up earlier when Mr. Kimball and Mr. Brandborg were here. As sportsmen, outdoor recreationists, we have an interest in the value received from these public lands. We feel that the outdoor recreation and the wildlife in the future is going to be found on public lands and not on private lands. It is too competitive nowadays to expect agricultural people to raise our wildlife and permit our trespass on their lands. If we are going to keep these public lands, they are going to have to provide revenue for the counties that have 50, 70, and 80 percent of the land within the county in public ownership.

If we lose this in-lieu-of-tax payments or if these in-lieu-of-tax payments fail to increase with other expenditures, there is going to be stronger pressure to take these public lands out of public ownership and put them into private ownership.

The low grazing fee on federal ranges has encouraged a widespread and legally questionable subleasing. For example, in the eastern Montana BLM grazing districts of Billings, Lewistown, Malta, and Miles City, over 50 percent of the BLM forage that is sold is subleased. In the Lewistown District alone, it is 90 percent.

The rates charged for the forage, range from 10 cents to \$4.42 per cow month more than that charged by BLM. In other words, about 60 percent of the BLM forage in Eastern Montana goes to the individual livestock owner through a middleman at rates up to 14 times the BLM rate. In the past 2 years, one banker has purchased four ranches, with sizable land grazing permits. He does not run a cow. Instead, he subleases for an average of \$4.25 per cow month. He pays nothing toward the purchase of those ranches. What he makes from subleasing federal ranges carries the payment.

My point is, should public grazing be stabilizing the livestock industry as intended, or should it be lining the pockets of a growing number of middlemen? If we are going to continue to finance subleasing people with public grass, should not Uncle Sam be getting a larger share

of the action? Certainly the people in these areas that are predominantly public land need this assistance.

It has been brought out today that the cattle people are in opposition to this. This is not 100 percent the case. Last December, the BLM Advisory Committee in MI and Mc Districts not only agreed that a move toward a reasonable fee was warranted, but they also approved the increase of 9 cents per cow month a year at least for 5 years. Additionally, they approved tying the computation of the fee to the average price of private forage.

Another public expression of willingness to pay their share was questioned earlier today. I have spent the last 2 years on a committee appointed by the Governor to study multiple use for state-owned lands. One of the conditions was that we were going to have to provide income from these state lands to support our schools if we in any way decreased the income from the present leases. The sportsmen on this committee were pleased and would have been glad to have paid user permits. And who would you think opposed the user permit? It was the grazing interests on that committee that did not want us to pay a user permit, because then we would entitle a right.

(The unread portion of Mr. Aldrich's statement follows:)

4. If the Taylor Act is to be amended to recognize permit value, I urge that this Committee:

a. Develop a means to identify those who paid nothing to acquire their permits and eliminate them from consideration for compensation.

b. Provide for the compensation of those who purchased permits, such compensation to be limited to permit value at the time of acquisition; and

c. Authorize the appropriation of sufficient money to purchase all outstanding permits, and thereafter offer all public land forage for sale through bidding at publication.

5. Section 10 of the Act appears to be badly in need of amendment. It establishes different percentage returns to the States in lieu of taxes for different classes of land. In turn, these differ from the in-lieu formulas for Bankhead-Jones and Forest Service public grazing lands. Moreover, these returns to the states are generally far below that being realized from taxes on comparable private lands. The result is that many Western public land counties suffer from inadequate schools, roads, and other essential public services. I suggest an urgent need for standardization and an increase in the percentage of the grazing receipts being returned to the states. I recommend that the one-third portion of the fee that goes to range improvements be continued. Of the remaining two-thirds, I recommend that half be returned to the states in lieu of taxes.

Mr. BARING. Mr. Aldrich, your time is up.

Mr. ALDRICH. Thank you sir.

Mr. ASPINALL. I would ask, Mr. Aldrich, that you send us information which substantiates the last paragraph on page 2.

Mr. ALDRICH. About the subleasing?

Mr. ASPINALL. That is right.

Mr. ALDRICH. Yes, sir, I would be glad to do that.

(Letter and information from Mr. Aldrich follow:)

MONTANA WILDLIFE FEDERATION,
Missoula, Mont., March 18, 1969.

HON. WAYNE N. ASPINALL,

Chairman, Committee on Interior and Insular Affairs, House of Representatives,
Longworth House Office Building, Washington, D.C.

DEAR MR. ASPINALL: Upon your request I am enclosing a letter from the Bureau of Land Management State Director, Edwin Zaidlicz, to document the last paragraph on page two of my statement on grazing regulations before your Committee March 5, 1969.

The additional information concerning fee increase impact on small operators was requested by me for my information. Perhaps you will be interested in it.

Since coming home I have heard of one rancher who purchases grass from four different agencies. He pays 33¢ per AUM on public domain, 57¢ on Bankhead-Jones, 87¢ on State land and \$1.80 on Northern Pacific Railroad. This variety of holdings and fees can be found within one pasture without even a fence to separate them.

Thank you for the opportunity of appearing before your Committee and entering this additional information.

Sincerely,

DONALD ALDRICH,
Executive Secretary.

U.S. DEPARTMENT OF THE INTERIOR,
BUREAU OF LAND MANAGEMENT,
Billings, Mont., March 14, 1969.

Mr. DONALD ALDRICH,
Executive Secretary,
Montana Wildlife Federation, Woodworth Ave., Missoula, Mont.

DEAR DON: The following breakout of Section 3 grazing permits should provide you the information requested. This is based on 1968 data and will not necessarily apply to 1969. For instance, the Buffalo Creek State Grazing District in the Billings District, is included; but we are now licensing the range users directly rather than through the State District. Also, the figures given for State Districts include those FHA Associations which are within the District.

District	Total animal unit months, section 3	Total animal unit months involving State districts and FHA association	Animal unit months involving State districts	Animal unit months involving FHA association
Miles City.....	567, 823	149, 224 (16%)	132, 957 (23%)	16, 167 (3%)
Lewistown.....	167, 363	143, 148 (86%)	140, 783 (84%)	2, 365 (2%)
Billings.....	35, 604	17, 811 (50%)	17, 811 (50%)	
Malta.....	440, 137	351, 101 (80%)	351, 101 (80%)	
Total.....	1, 210, 827	661, 284 (55%)	642, 652 (53%)	18, 632 (2%)

The only information available concerning the impact of the grazing fee increase on small operators, is extracted from the Bureau of Land Management, Grazing Fee Analysis, which I am sure is available to the committee.

IMPACT OF GRAZING FEE INCREASE ON DIFFERENT SIZE PERMITTEES ON SECTION 3 LANDS BUREAUWIDE

Permit size, animal unit months	Number of operators in Montana	Average number of animal unit months per operator	Average bill, at \$0.33 per animal unit month	Annual charge in fee bill at \$0.09 increase	Annual fee bill at \$1.23 per animal unit month
0-99.....	969 (34.9%)	12	3.96	1	15
100-499.....	1, 118 (40.1%)	150	49.50	14	185
500-999.....	361 (13.0%)	422	139.26	38	519
1,000-1,999.....	221 (8.0%)	902	297.66	81	1, 109
2,000-2,999.....	68 (2.4%)	2, 055	678.15	185	2, 528
3,000-3,999.....	19 (.7%)	3, 863	274.79	348	4, 751
4,000-4,999.....	7 (.3%)	3, 797	1, 253.01	342	4, 670
5,000-14,999.....	11 (.4%)	7, 713	2, 545.29	694	9, 487
15,000-24,999.....	1	28, 583	9, 432.39	2, 572	35, 157
25,000 plus.....		32, 354	10, 676.82	2, 912	39, 795
Total.....	2, 776 (100%)				

* Total percentage may show rounding errors.

† T indicates less than 0.2 percent.

No information is available to explain the decrease in numbers of small operators, although this is possibly a result of the nationwide trend toward consolidation into larger ranch units.

Sincerely yours,

EDWIN ZAIDLICZ, State Director.

Mr. BARING. Next is Mrs. Rosamond Zars of Denver, Colo.

Mr. ASPINALL. Mrs. Zars, come to the witness stand. I would like the committee to know that Mrs. Zars is the daughter of the first Director of the Taylor Grazing Act.

STATEMENT OF ROSAMOND ZARS, DENVER, COLO.

Mrs. ZARS. Perhaps, in introducing myself, I should say that the first Director of Grazing refers to Mrs. Zars as a robin's egg conservationist. Mr. Carpenter and myself have disagreed consistently over the years, ever since I was 12.

I come to you today not as my father's mouthpiece, not as the representative of the Bureau of Grazing, but as a representative of a conservation group in Colorado. It is known as COSC—Colorado Open Space Coordinating Council. We are an informal group who represent other groups; for example, the Sierra Club, the Rocky Mountain Hiking Club, the Evergreen, the Audubon Society. It is a small workshop of about eight or 12 of us who try to coordinate the efforts of various conservation groups within our own regional Colorado area. I, myself, am what I think you would call a liaison. I represent a connection with the livestock interests, of which I have many, and I also represent my colleagues at the University of Denver who are interested in ecology. I have studied ecology, which is a special field, and its multiple use in a broader sense than has been discussed here today, multiple use in the sense that ecology includes people in the landscape, as well as wildlife, animals, and so on. It is a very broad aspect and is a very modern study.

I will be wearing three hats in my brief statement today. I will first speak to you as a conservationist.

It seemed to the Conservation Board in Colorado that there was insufficient study made by the Wilderness Society. You have heard the man's statement today. Our board received a copy of this statement and we studied it. We asked a representative of our group to give it his objective consideration. He came back with a briefcase full of paper and said, they certainly made a mistake, I can see no justification for a raise in grazing fees. It seems to me that the wilderness groups here in Colorado should oppose the grazing fees, there is no justification for it and there is no justice in it.

Very obviously, it does a very grave injustice to the small users. If you increase a man's operating cost by 400 percent on the edge of the desert, he is going to go out of business.

Also, as conservationists, we recognize that some of our best friends have been the progressive sheepmen and cattlemen who have improved their forage, who have improved the grass for wildlife, who have fed the elk in the wintertime, who have encouraged multiple use of our great public domain.

Therefore, I am not, COSC does not represent anything. We are such an informal group, we do not even pay dues, for example. We are just people who give up our personal time, our own personal money, because we are personally concerned with conservation.

Do not misunderstand me; I do represent COSC. I am a member of COSC. I am here to tell you that the board voted unanimously to

oppose the raise in grazing fees after study. It is the consensus of the board that the only reason the other wilderness societies went along with what was put out by the national society is insufficient study.

Here's an interesting thing—as a professor, I have to give you an interesting thing. Most evil things are not done due to malice. They are usually done due to ignorance. It is unfortunate that we find good people like Mr. Brandborg who would wipe out a whole segment of desert marginal users, not because he is malicious. As a matter of fact, he would rather like to preserve them as antiques in caves, where we could go and look at them, like Indians, these original homesteaders and so on. This is insulting.

If you happen to be a homesteader who has fought his way through the winter and preserved a band of sheep, you do not want somebody looking at you because you have been subsidized by the Government. You are proud of yourself. In a democracy, if you cannot support yourself under the existing laws, it is no longer a democracy, gentlemen.

I have to speak to you now as a member of the livestock group, changing hats again. In my connections with the livestock people, there have been a couple of things that I guess no one has dared bring up again. Since I am not running in the public domain, I am not running a big outfit, I do not have a thousand head of cattle—

Mr. ASPINALL. Slow down a little bit.

Mrs. ZARS. I was worried about time.

Mr. ASPINALL. I know you are, but we are worried about having it on the record, too.

Mrs. ZARS. My apologies, sir.

Some of the best forage that is public domain has been grazed under a varying permit cost from 19 cents to \$1.64 in the forest. This is obviously because \$1.64 represents the most excellent forage where your livestock will grow fatter and make you more money, and undoubtedly, these are your more prosperous ranchmen. Their costs under the recent directives of the Government will be reduced from this to them.

At the other end of the scale are the very small users and marginal users, and as you probably know, the Bureau of Land Management lands in the desert generally follow the 10-inch isohyetal. That is the lands where there is less than 10 inches of rainfall. Therefore, the men who own property along that varying line do so at their peril. It is a very risky business. No one makes a lot of money when you're a marginal user and these men find their costs raised. This is the very poorest grass. The grass—when there is a drought, probably there is not any. It will burn up. Their costs under this flat fee increase are being raised 400 percent.

Oh, too bad for them. It was very interesting to me that in this hearing, there was only one Member of the Congress of the United States who questioned the rationale of Mr. Hughes, the Director of the Bureau of the Budget, who proposed a philosophical point which I think supports philosophically National Socialism, being that it's for the benefit of the public generally, and socialism meaning that the ends justify the means, that for the benefit of all of the people, you wipe out the less than 50 percent who are uneconomic, you liquidate, as he said, the less rational users.

He said in answer to a question, this is realism. That is a kind of realism, gentlemen, that we have seen a good deal of in the past century. It is the kind of realism, for example, that has eliminated the private ownership of small plots of land in Russia and means that, as you undoubtedly are aware, 75 percent of the agricultural produce in that huge, enormous, fertile country is grown on the tiny little plots of peasant land, which are actually 25 percent of the land.

Mr. BARING. You are overtime now, Mrs. Zars.

Mrs. ZARS. That is my hat as a livestock man. I have a last statement as a professor of political science. I am a teacher at the University of Denver. I face, every single day, a hostile group—not hostile to me but hostile to the American failure of government. I go back to them tomorrow and I am teaching a course in American National Government. We are discussing the legislature. And we agree that the legislature is the weakest branch of government; therefore, the functions of the legislature have been taken over by the administrative and executive branches. Here comes what's an autocratic slap of injustice at only a few people, gentlemen. It is not going to ruin the cattle industry. Yet it is that kind of economic slap of injustice which apparently the legislature is not strong enough to turn back. It is this kind of thing that my students, the revolutionaries of today, say does not justify the continued existence of "The Establishment."

Mr. BARING. Thank you very much, Mrs. Zars. I hate to cut you off.

Mrs. ZARS. I have some faith in the legislature, gentlemen, and I think you can turn back a great deal of injustice.

Mr. BARING. Speaking for myself, I might say I was very interested in what you were saying.

Mr. ASPINALL. Mrs. Zars, did you have a prepared statement?

Mrs. ZARS. I did not realize I should type one up, but I will do so.

Mr. ASPINALL. Could you type one up, Mrs. Zars?

Mrs. ZARS. I would be delighted to.

Mr. ASPINALL. You have brought some new ideas into this hearing.

Mrs. ZARS. I am sorry about that.

Mr. ASPINALL. I would just respond to you that if you lose the representative form of government, you have lost everything this country has stood for.

Mrs. ZARS. I certainly agree with you, sir. I hope you can show a little strength in this matter.

Mr. BARING. Thank you.

(Mrs. Zars' written statement follows:)

STATEMENT OF MRS. ROSAMOND C. ZARS, DENVER, COLORADO

Gentlemen, I am here as a citizen wearing three hats. The First Director of Grazing refers to me as a "robin's egg conservationist".

I have been interested in conservation, not only wildlife and wilderness conservation, but soil, range and water conservation for most of my life. Really, I am more of an ecologist, a rather broader concept that includes man in the total balance of the environment.

I belong to a small group in Denver, the Colorado Open Space Coordinating Council's Wilderness Workshop, an informal group that meets once a month to coordinate the efforts of the various conservation groups in our area, such as the Wilderness Society, the Sierra Club, the Rocky Mountain Hiking Club, the Audubon Society and so on. We don't even pay dues, we just try to put together a sensible direction of "time, talent, money and energy" in our particular region. As board members, representing other groups, we are all independent.

I do *not* represent COSC, please don't misunderstand me, I cannot even say that I represent the board. We each do our own investigative study of a problem affecting our conservation interest.

I appear at this hearing as a conservationist because a member of our COSC Workshop board made an extensive study of the agencies' proposed grazing fee increase. He came in with a very thick briefcase and after several hours of discussion and explanation he persuaded the board members present that the grazing fee increase was not only unequal and unjust, but that the order would not be beneficial for range and forest conservation. He convinced the board members that the agencies were not considering all the relevant facts. We oppose the increase in grazing fees. Since I have acted as a liaison with the livestock interests with COSC, I am glad to be able to represent the livestock interest position at this hearing.

COSC Workshop is interested in multiple use. Some of us share the knowledge of experience that it is the traditional users of the public domain, those ranchers who have been in business for a generation or two or three who are most apt to practice multiple use precepts, to cooperate with fishermen, campers and hikers. They always have. A new owner, the recent investor in ranch land for its tax benefits or prestige is more apt to lock the gates and not to trust the public or his neighbors. These people may regard a permit as a "right", while the traditional user knows it is a privilege. The recent administrative order making honest, economic ranching impossible in some areas will encourage the engorgement of the public domain by land speculators and pseudo-ranchers, since the original holdings are de-valued by de-valuing permits, and economic honest ranching is arbitrarily made impossible by increasing grazing costs 400%.

Ecologists recognize that a resident owner is usually the best soil, water and range conservationist. On the marginal lands of the western United States, those family-owned ranches in the roughest sections of the high mountains, or on the border of the 10 inch isohedral of the desert (ranches on the edge of that line where the rainfall is less than ten inches per year, a line that pretty generally marks the outlines of BLM desert land) have had to practice range improvement, grass, soil and water reclamation and conservation, or competition and rising costs have forced them out of business. You can run more cattle or sheep on properly managed grazing land.

These old family outfits are the ones that look "big" to suburban conservationists. Over the years, these people have tried to put together economic units that support perhaps five families, all working hard on the jointly-owned ranch. In acreage or numbers of head of sheep or cattle it sounds large, but in income, gentlemen, it is often below the national average: for a sheepman or a cattleman to earn \$5000 a year for his family is an outstanding year—an exceptionally prosperous and hard-working ranch family.

These are the people who will be forced to sell if this legislature is unable to roll back an administrative order. It is interesting to reflect for a moment that most of the evil that is done in this world is not done through malice, (as we might like to think), but only through ignorance. A livestock man asked the COSC member who had done the study on the increase why other conservation groups did not also oppose it. He suggested that they had not done their homework, they had not studied the problem sufficiently.

If these people are forced out of business, as conservationists we can expect little cooperation with a multiple use concept. Worse yet, we can expect a return to the kind of soil erosion, range and grass destruction and poor grazing practices that prompted these old livestock people to ask the government's assistance (in 1934) to stop the destruction of this public heritage, to regulate the illegal grazing and callous mismanagement of the range.

Under my second hat, as a person concerned with the livestock business and having been fortunate to meet and know many of the people in the livestock business, particularly users of the public domain, I know why the permit is a privilege, in value, and not in "right". Banks loan money on this permit which may be revoked, or where AUM may be changed by the government agency, yearly, just the way banks loan money on any other risk: on their confidence in the livestock permittee-holder's ability to repay the money they loan. They loan money to the livestock man whose ability to repay has been demonstrated in using the permit wisely, in not abusing the public domain, by exercising "good stewardship" of the land.

The government's autocratic slap of injustice affects only a few people. The industry as a whole will not be seriously hurt. There has been plenty of evidence presented at these hearings to demonstrate the obvious injury to fair adjustment of grazing fees by the agencies determination. The best permits in the forest have been pegged at 1.64 per AUM on forage that is the best grazing where a stockman can make the most money with fat cattle or sheep eating the thick, lush grass. Their fees are being lowered 41 cents. How jolly for them! Out on the desert where the grass is thin and dry, with clumps of brush every ten feet, where only a few cows or sheep can graze in a section, these range users are having their fees raised 400%. Too bad for them.

It has been shocking to me to hear the Director of the Bureau of the Budget espouse the principles of National Socialism—"National" because he elevated the mythical entity of the State over the rights of individual citizens within that state, and "Socialism" because he justified the means by the ends, numerically. Pressed for his reasons for the increase in fees, the Director said the commonwealth should be receiving a more fair market value for *its* land. This principle entitled his department to justify putting individual livestock owners out of business. If the permittee holders on the public domain number 40,000 and 20,001 will survive and even benefit from the flat fee rate increase, then the liquidation of 19,999 is justified. The Director of the Bureau of the Budget indicated that his agreement with this, in principle, was "realism".

This is the sort of "Realism" that we have seen a good deal of in the past few decades.

My third hat is as a teacher of Political Science at the University of Denver. I teach a course in American National Government. Everyday I face a room full of hostile students. Not hostile to me, gentlemen, hostile to the American form of Government. Along with many other political scientists, my class agrees that the legislative is the weakest branch of government. If the legislative branch cannot protect individual livestock owners from the erratic power of an administrative bureau whose principles are those of National Socialism, how can our democracy survive? Since the legislative branch has failed to protect the many against the tyranny of the few, and the few against the tyranny of the many, my class wonders how *they* can be protected from the "orders" of the powerful alignment of interest between a military and an executive politician. Can you check an administrative ruling that is obviously autocratic and irresponsible?

I still have faith in your power, gentlemen, but it would assist me greatly in facing my class if you would assert the strength of a representative democracy and reverse these agencies order.

Thank you.

Mr. BARING. Lawrence Bradbury, first vice president, Idaho Cattlemen's Association.

STATEMENT OF LAWRENCE BRADBURY, FIRST VICE PRESIDENT, IDAHO CATTLEMEN'S ASSOCIATION, CHALLIS, IDAHO

Mr. BRADBURY. Mr. Chairman, members of the Committee:

My name is Lawrence Bradbury, first vice president of the Idaho Cattlemen's Association and a rancher at Challis, Idaho. We fully endorse a broad concept of multiple-use and we further believe in a just and equitable grazing fee, and equitable treatment for all paying users of Federal lands.

The balance of my statement, many points in it, have been covered before. I will not repeat them. At this time, I would like to have the full statement submitted for the record as though it were read.

On the bottom of page 2, I point out we also object to the forage index factor that was injected in the new grazing proposal because it is in effect, an escalating clause, whereby increased grazing fees will create more demand and higher rates for private land which will then be a factor in raising grazing fees still further.

As an example of this, along the Snake River in Idaho, we had a severe drought. In some of the higher country where the drought did not hit, the private lease rates on pasture jumped in that one year from \$3 to \$7.

Then at the middle of page 2, the economic impact on the small rancher, 50 head or less, will be much greater than on larger operators. About 60 percent of our permittees in Idaho are in this category. The Federal Government, through FHA loans and programs and through ASCS poverty programs, have recognized the economic plight of rural areas and have programs to maintain the small family farm. The proposed grazing fee increase is in direct conflict with these and other programs.

On page 4, I cite a bulletin published by the University of Washington in cooperation with the USDA, January 1966, entitled "Economic Development of the Columbia Basin Project Compared With Neighboring Dryland Areas." I point this out to indicate the generative effect of the use of water on dry land areas as used by the Department of Reclamation. You notice there the ratio runs, with one exception of property taxes, from 17, a ratio of 17-to-1. The shunting of these generating dollars in direct payment to the Federal Treasury in addition to grazing fees before they are allowed to generate wealth at the local level is not an economically sound business practice to keep the local economy alive and prosperous.

Then I would like to go down to the last paragraph.

One of the most encouraging and enlightening aspects of the use of Federal land has been the cooperative range effort that has brought about the rehabilitation of thousands of acres of rangelands in Idaho. The basic practical research conducted by Gus Hormay, formerly with the U.S. Forest Service and now with the Bureau of Land Management, Dr. Lee Sharp of the University of Idaho, and Dr. Wayne Cook, formerly of Utah State University, have laid the groundwork for this cooperative effort. This program has been beneficial not only to the grazing of livestock, but equally beneficial to watershed, wildlife habitat and aesthetic values. Good cattle on well-managed ranges have an aesthetic appeal that is enjoyed by thousands of people traveling in Idaho each year. The work of the above-named researchers has proven that well-managed livestock are the most economic means of tilling, reseeding, rehabilitating, and harvesting our renewable resource of grass on both private and Federal lands. The continuation of this program depends upon the good mutual understanding between progressive-minded government officials and practical stockmen who are willing to match their "earned" dollars with the Government "appropriated" dollars to do the job of improvement that must be done. The Bureau of Land Management, Idaho State office, shows contributions by range users during the past 5 years totaled \$958,785. "BLM Facts, Idaho 1967-1968," page 6, shows that in the fiscal year 1968, \$1,067,500 was to be spent on Federal investments in range construction and development. The State office advises me that this figure includes watershed protection and game range development. My point is that approximately every 5 or 6 years we pick up the tab for 1 year's operation of range, watershed, and game range improvement, plus paying our grazing fees each year. Idaho permittees paid \$218,334, in co-

operative money on U.S. Forest Service programs during the past 5 years. The present decision on grazing fees, if carried, will probably eliminate this private cooperative contribution and effort. This in turn will require the Government to increase its appropriations for this improvement work. Private individuals can accomplish greater returns for their dollars spent than can Government programs. Cooperative projects insure that the Government dollars will be spent wisely and efficiently.

Our assistant supervisor, just before I left Idaho, informed me that they had 14 programs that they submitted to the permittees on that forest and 13 of these programs were rejected by the permittees.

We in Idaho have formed a special Range Use Coordinating Committee composed of one regional representative from the Forest Service, one from the regional research arm of the Forest Service, BLM, Idaho Fish and Game Commission, Deans of the Colleges of Agriculture and Forestry, University of Idaho; two from the cattle industry and one from the Woolgrowers. The purpose of this committee is to discuss and coordinate the uses of Federal lands. We have found our goals are in the same direction and find our greatest problems can be traced to lack of understanding of each other, and that recognition has not been given to reports of the various research people in our Western Universities. I am sure we can find an agreeable solution to the multiple use problems that will be beneficial to all people including those outside Idaho.

Probably the biggest problem in Agriculture today is the fact that we are exporting our most important product, our farm youth, to the cities. The security of higher earning opportunity in urban America is attractive to our educated farm youths and they are going into other fields of employment. Many legislators have spoken and written on this subject. The last census, 9 years ago, told us that the average age of our farm owners was 58 years. If young people are to carry on to produce food and fibre, invest capital in Federal and private land, they must be assured of an economic outlook that is reasonably sound.

Grazing fee increases of up to 300 percent and its impact on our cost of doing business does not assure a realistic future in the use of federal lands for grazing. The ability to finance range livestock operations has already been seriously hampered by the joint statements of the Secretaries to raise grazing fees.

Our local Federal land bank manager has informed us that his bank considers the full \$1.23 increase to be in effect immediately, as far as our loans are concerned. This has resulted in a discount of ranch loan values of 10 to 20 percent according to the percent of dependency on public lands.

Finally, the members of the Idaho Cattlemen's Association feel that the proposed grazing fee announcement at this time, covering a 10-year period, is preempting the more detailed study of the whole matter of Federal lands by the Public Land Law Review Commission. We strongly urge the rescinding of the order to increase grazing fees over and above those justified by the statistical survey.

I would like to leave with you a copy of this map showing public lands in Idaho, hoping it will help you understand the impact of public lands on our economy.

Congressman Baring and Chairman Aspinall, the livestock industry of Idaho is very appreciative of the interest you and your committee have shown and the time you have given to consider this very vital problem.

Thank you, Mr. Chairman.

MR. BARING. I appreciate it very much. Do you have the map you mentioned?

MR. BRADBURY. Yes, I have a map I would like to leave with the Committee. The purpose of this is to show the interrelated land pattern between BLM, Forest Service, private land, within our State.

MR. BARING. Without objection, it will be made a part of the file. (The map referred to will be found in the files.)

MR. BRADBURY. Thank you.

MR. BARING. Thank you very much.

(The complete statement of Mr. Bradbury follows:)

STATEMENT OF LAWRENCE BRADBURY, FIRST VICE-PRESIDENT, IDAHO CATTLEMEN'S ASSOCIATION, CHALLIS, IDAHO

Mr. Chairman and Members of the Committee: My name is Lawrence Bradbury, 1st Vice-President of the Idaho Cattlemen's Association and a rancher at Challis, Idaho. I represent the Idaho Cattlemen's Association and 3008 users of Federal range in Idaho. We fully endorse a broad concept of Multiple-Use and we further believe in a just and equitable grazing fee, and equitable treatment for all paying users of Federal lands.

The Livestock industry, according to a report from the Department of Commerce and Development, State of Idaho, ranks in cash receipts as follows: Agriculture, \$560,000,000; Manufacturing, \$534,000,000; Forest products, \$250,000,000.

The larger divisions of Idaho Agriculture are divided as follows: Cattle, 126 million; Potatoes, 88 million; Wheat, 71 million; Dairy, 58 million; Sugar Beets, 39 million; Sheep and Lambs, 19 million; and Idaho ranks 24th in the nation in the production of cattle. Approximately 65% of our state is Federally owned.

The Bureau of Land Management and Forest Service and the National Livestock Associations agreed to the 1966 Statistical Reporting Survey study and the 15 cost items that were included. The livestock industry through its organizations and individuals cooperated to the fullest extent in the collection, from 10,000 ranchers, of the basic data that made the 1966 survey, conducted by the Statistical Reporting Service, a sound study when all factors are considered. We do not agree with the proposed fee increase for the following reasons: 1. The permit value was not considered in the final establishment of the new proposed grazing fee formula. It was included in the original questionnaire. Many Governmental and other agencies recognize that a permit has value. The Internal Revenue Service, for estate tax purposes, money lending institutions and banks, and permits are bought and sold in legal transactions. The Congress of the United States in the Engle Act of 1942 provided for repayment of value of grazing permits when the land was withdrawn for military purposes. For approximately 10 years. Utah State University researchers (summarized in Hooper, 1967 and Nielsen and Roberts, 1968) have contended that permit values should be included in the cost of grazing public lands. Quote, "Through this research it was determined that the total costs of grazing comparable public and private rangelands were statistically equal in Utah. The equality exists if permit values which are owned by ranchers and bought and sold in the market are recognized as a legitimate cost of ranching. Under these conditions fee increases are not warranted. The two departments refuse to recognize the reality of the permit value in the present situation hence they justify a fee increase." Further, we must recognize that these Public Lands, particularly Bureau of Land Management lands, were the least desirable or most unproductive lands that were left by the homesteader. Also, controlled livestock grazing is the best management tool we have, and livestock grazing helps control fire hazards.

We also object to the forage index factor that was injected in the new grazing proposal because it is in effect, an escalating clause whereby increased grazing fees will create more demand and higher rates for private land which will then be a factor in raising grazing fees still further.

The economic impact of this proposed grazing fee is very difficult to put into a dollar and cents figure at this time. It is also difficult for us as cattlemen to follow the intent of the joint Secretaries decisions to raise the grazing fees to a confiscatory level, unless they wanted to eliminate domestic grazing from Public Lands and deal a death blow to the domestic livestock industry. Mr. John Carver Jr., Assistant Secretary of the Interior at the 22nd annual meeting of the National Advisory Council, Albuquerque, New Mexico, February 19, 1962, made in his concluding remarks, and I quote, "1. There is an affirmative responsibility on the part of the Secretary of Interior to consider the adequacy of existing fees and related factors bearing upon fee-fixing responsibility imposed by the Taylor Grazing Act. 2. The situation of the users has to be taken into account and particularly the capitalized value of the Taylor Act priorities and fee levels. Raising fees without adequate consideration of this would result in confiscatory action". The economic impact on the smaller rancher (50 head of cattle or less) will be much greater than on the larger operator. About 60% of our permittees, in Idaho, are in this category. The Federal Government through FHA loans and programs and through ASCS poverty programs have recognized the economic plight of rural areas and have programs to maintain the small family farm. The proposed grazing fee increase is in direct conflict with these and other government programs.

As a part of the grazing study the analysis of the impact of different grazing fee levels was contracted to Dr. Darwin Nielsen of Utah State University for analysis of actual impact within the State of Utah. Dr. Nielsen's study shows that in Utah the increased fees would take \$434,089 from the ranchers in additional grazing fees; \$12,936,156 in loss of permit value and \$868,178 in secondary losses on the local economy annually. Also, I refer to a study by Bromely, "Economic Importance of Federal Grazing", Department of Agriculture Economics, Oregon State University, which shows the multiplier factor for the dollar from dependent ranches and other agriculture, to be the highest of 14 businesses studied and vary comparable to the Utah study. It appears that it is not necessary for revenues to accrue directly to the Federal Treasury. We feel that these figures are equally applicable in Idaho and that loss of income of this magnitude would bring economic disaster to cattlemen and businessmen on Main Street of small communities throughout the state. According to the Associated Taxpayers of Idaho, one generating dollar spent in local business on Main Street in Idaho multiplies 9 times before it leaves the community. A bulletin published by the University of Washington in cooperation with the USDA, January, 1966, entitled "Economic Development of the Columbia Basin Project, Compared With Neighboring Dry Land Area", indicates as follows:

Indicator	Project area (per 10,000 acres of cropland)	Comparison area (per 10,000 acres of cropland)	Ratio
Population.....	1,900	110	17 to 1.
Business establishments.....	48.1	2.8	Do.
Workers ¹	480	22	22 to 1.
Wages (in millions).....	\$2.17	0.11	20 to 1.
Property tax base ² (in millions).....	2.57	0.40	6 to 1.
Postal receipts.....	16,700	960	17 to 1.
Retail sales tax collections.....	112,000	6,470	Do.
Business and occupation tax collections.....	25,100	1,320	19 to 1.
Federal income-tax payments.....	714,400	41,300	17 to 1.

¹ Does not include farm operators.

² Data for 1962.

The end product of this generative process is reflected in local community and county taxes, State and Federal income taxes. The shunting of these generating dollars in direct payments to the Federal Treasury, in additional grazing fees, before they are allowed to generate wealth at the local level is not an economically sound business practice to help keep the local economy alive and prosperous.

I would also at this time like to point out that grazing fees are only one charge that is incurred by range users on Federal lands. Administrative officials can and do continually make decisions that are added costs to operators, which

were not included in the 1966 survey. Some of these items are: trucking cattle to and from ranges instead of trailing; dye branding; ear tagging; fence maintenance; changes in grazing seasons; and particularly, short term amortization of range improvements placed on Federal land by permittees. As long as Administrative officials have the authority to make these decisions that take dollars from the pocket of the permittee they should be recognized as pertinent additional costs of operating on Federal land, and if not, it will be impossible to know what the cost of our grazing fee will be from day to day.

One of the most encouraging and enlightening aspects of the use of Federal Land has been the cooperative range effort that has brought about the rehabilitation of thousands of acres of range lands in Idaho. The basic practical research conducted by Gus Hormay, formerly with the U.S. Forest Service, and now with the Bureau of Land Management, Dr. Lee Sharp of the University of Idaho and Dr. Wayne Cook, formerly of Utah State University, have laid the groundwork for this cooperative effort. This program has been beneficial not only to the grazing of livestock, but equally beneficial to watershed, wildlife habitat and aesthetic values. Good cattle on well-managed ranges have an aesthetic appeal that is enjoyed by thousands of people traveling in Idaho each year. The work of the above named researchers has proven that well-managed livestock are the most economic means of tilling, reseeding, rehabilitating and harvesting our renewable resource of grass on both private and Federal lands. The continuation of this program depends upon the good mutual understanding between progressive-minded government officials and practical stockmen who are willing to match their "earned" dollars with the Government "appropriated" dollars to do the job of improvement that must be done. The Bureau of Land Management, Idaho State office, shows contributions by range users during the past 5 years totaled \$958,785. "B.L.M. Facts, Idaho 1967-1968", page 6, shows that in the fiscal year 1968, \$1,067,500 was to be spent on Federal investments in range construction and development. The State office advises me that this figure includes watershed protection and game range development. My point is that approximately every 5 or 6 years we pick up the tab for one year's operation of range, watershed and game range improvement, plus paying our grazing fees each year. Idaho permittees paid \$218,334, in cooperative money on U.S. Forest Service programs during the past 5 years. The present decision on grazing fees, if carried will probably eliminate this private cooperative contribution and effort. This in turn will require the Government to increase its appropriations for this improvement work. Private individuals can accomplish greater returns for their dollars spent than can Government programs. Cooperative projects insure that the Government dollars will be spent wisely and efficiently.

We in Idaho have formed a special Range Use Coordinating Committee composed of one regional representative from the Forest Service, one from the regional research arm of the Forest Service, BLM, Idaho Fish and Game Commission, Deans of the Colleges of Agriculture and Forestry, University of Idaho; two from the cattle industry and one from the Woolgrowers. The purpose of this committee is to discuss and coordinate the uses of Federal lands. We have found our goals are in the same direction and find our greatest problems can be traced to lack of understanding of each other, and that recognition has not been given to reports of the various research people in our Western Universities. I am sure we can find an agreeable solution to the multiple use problems that will be beneficial to all people including those outside Idaho.

No one has more interest in the wise use of natural resources than today's modern ranchers. Ranchers of today are much different than their forefathers. Many are college graduates and participated in the same range management classes as did their counterparts who went to work for the Federal government after graduation. Those who went back to the ranch chose to do so probably because they were needed on the ranch, or they liked ranching as a way of life in which to raise a family. They have their roots deeply imbedded in the soil. The future of the livestock industry and preservation of the range lands depends upon this type of individual.

Probably the biggest problem in Agriculture today is the fact that we are exporting our most important product, our farm youth, to the cities. The security of higher earning opportunity in urban America is attractive to our educated farm youths and they are going into other fields of employment. Many legislators have spoken and written on this subject. The last census, 9 years ago, told us

that the average age of our farm owners was 58 years. If young people are to carry on to produce food and fibre, invest capital in Federal and private land, they must be assured of an economic outlook that is reasonably sound.

Grazing fee increases of up to 300% and its impact on our cost of doing business does not assure a realistic future in the use of Federal lands for grazing. The ability to finance range livestock operations has already been seriously hampered by the joint statements of the Secretaries to raise grazing fees.

Our local Federal land bank manager has informed us that his bank considers the full \$1.23 increase to be in effect immediately, as far as our loans are concerned. This has resulted in a discount of ranch loan values of 10 to 20% according to the percent of dependency on public lands.

Finally, the members of the Idaho Cattlemen's Association feel that the proposed grazing fee announcement at this time covering a ten year period is preempting the more detailed study of the whole matter of Federal lands by the Public Land Law Review Commission. We strongly urge the rescinding of the order to increase grazing fees over and above those justified by the statistical survey.

I would like to leave with you a copy of this map showing public lands in Idaho, hoping it will help you understand the impact of public lands on our economy.

Congressman Baring and Chairman Aspinall, the livestock industry of Idaho is very appreciative of the interest you and your committee have shown and the time you have given to consider this very vital problem.

Thank you, Mr. Chairman.

Mr. BARING. Thank you very much.

Our next witness is Robert F. Bledsoe, Executive Secretary, Wool Growers Association.

STATEMENT OF ROBERT F. BLEDSOE, EXECUTIVE SECRETARY, WYOMING WOOL GROWERS ASSOCIATION

Mr. BLEDSOE. Thank you, Mr. Chairman.

I will brief my statement considerably.

I am Robert Bledsoe, executive secretary, Wyoming Wool Growers Association, with office in Casper, Wyo.

The Wyoming Wool Growers Association for the past 65 years has served as spokesmen for the lamb and wool producers in the Nation's second largest sheep producing state—Wyoming.

Since November 15, 1968, the main dialog between the sheepmen of Wyoming, except for a few comments about the weather, has been the increase of grazing fees on public lands, by the retiring Secretaries of Interior and Agriculture.

The unprecedented announcement to raise grazing fees 250 percent on U.S. Forest Service lands, and 400 percent on Bureau of Land Management administered lands during the next 10 years is of grave concern to Wyoming sheepmen.

Approximately 70 percent of Wyoming's sheep population, which numbers 1.8 million head, depend upon the Federal lands in Wyoming for forage. Sheepmen in Wyoming are willing to pay a fair and equitable fee for the use of the forage on Federal lands, but they cannot have the cost of their operations increased by 250 and 400 percent, respectively, and stay in business.

The Federal land agencies have completely ignored the recognition to the dollar market value of the grazing permit as an annual cost of

doing business, which will have a most adverse effect on the net worth of the individual rancher. The average sheepman in Wyoming in 1968 owned only about 76 percent on the total ranch investment; whereas the average agricultural producer throughout the U.S. owned approximately 82 percent. With a decline in the value of Federal permits, he would own even less of the total investment and, as such, would find it more and more difficult to borrow money to finance annual operating costs.

The sheepman at the present time is able to stay in business partially through the increased value in grazing land values. The banker recognizes this increase in land values and permits the individual operator to borrow against this rise in land values. As a result, instead of gaining in net worth, through the years the average sheep rancher in Wyoming is suffering a loss in net worth.

The asset value of the grazing fee permits in Wyoming is slightly more than \$43 million. It has been estimated that the fee increase will cut this in half. The resulting loss is estimated at slightly more than \$21 million.

Livestock operators in Wyoming are highly dependent on the Federal lands for forage for their livestock because over 50 percent of Wyoming's land surface is owned by the U.S. Government. If livestock are removed from the Federal lands because livestock operators are unable to pay the increased grazing fees and because of nonrecognition of permit value, Wyoming will be deprived of thousands of dollars of tax money.

According to the Wyoming Data Book, 1967, published by the Division of Business and Economic Research, University of Wyoming, property taxes paid by farmers and ranchers in Wyoming now takes 16.4 percent of their net income, while all Wyoming citizens paid 7.2 percent of their net income for property taxes.

In summation, the Wyoming Wool Growers Association, speaking for the sheepmen in the State, registers its opposition to the increased grazing fee and the nonrecognition of the capitalization of the value of the permits as a cost of running sheep on the public lands, for the following reasons:

1. Wyoming has the largest total permitted animal unit months of any State, in fact, 13.1 percent of the Nation's total, consequently a 250 percent and 400 percent increased cost of using these AUM's would have a tremendous devastating impact on the economy of the communities and the State.

2. The Departments of Agriculture and Interior have completely disregarded the capitalized permit value factor as a legitimate cost of doing business.

3. Livestock are now receiving only 76 percent of parity. The grazing fee increase and disregard of the capitalized permit value factor will further depress these basic industries.

4. The Public Land Law Review Commission has, as a part of their work, a thorough study of grazing fees which should be considered in determining the fee structure for grazing on public lands.

5. If additional revenue from the Federal lands is of paramount

concern to the Federal agencies administering these lands, and the Bureau of the Budget, then all public land users should pay their fair share for the use of them.

The Preamble of the Taylor Grazing Act sets out as one of its objectives, "* * * to stabilize the livestock industry dependent upon the public range."

How can the Department of the Interior justify a 400 percent increase in grazing fees and the complete disregard of the capitalized permit value in light of this section of the preamble?

Therefore, the Wyoming Wool Growers Association respectfully requests that the grazing fee increase on Federal lands be held in abeyance pending a complete congressional investigation to determine why these Government bureaus, in the closing moments of their tenure in office, have arbitrarily ignored the true facts of the grazing fee studies and preempted the work of the Public Land Law Review Commission, to heap upon the heads of the livestock operators costs that will run them out of business.

Thank you, Mr. Chairman and members of the committee.

(The complete prepared statement follows:)

STATEMENT OF ROBERT F. BLEDSOE, EXECUTIVE SECRETARY, WYOMING WOOL GROWERS ASSOCIATION, CASPER, WYO.

I am Robert Bledsoe, Executive Secretary, Wyoming Wool Growers Association, with office in Casper, Wyoming.

The Wyoming Wool Growers Association for the past 65 years has served as spokesman for the lamb and wool producers in the nation's second largest sheep producing state, Wyoming.

Since November 15, 1968, the main dialogue between the sheepmen of Wyoming, except for a few comments about the weather, has been the increase of grazing fees on public lands, by the retiring Secretaries of Interior and Agriculture.

The unprecedented announcement to raise grazing fees 250 percent on U.S. Forest Service lands, and 400 percent on Bureau of Land Management administered lands during the next ten years is of grave concern to Wyoming sheepmen.

Approximately 70 percent of Wyoming's sheep population, which numbers 1.8 million head, depend upon the federal lands in Wyoming for forage. Sheepmen in Wyoming are willing to pay a fair and equitable fee for the use of the forage on federal lands, but they cannot have the cost of their operations increased by 250 and 400 percent, respectively, and stay in business.

The Division of Agricultural Economics, University of Wyoming, Laramie, is recognized throughout the United States as having the most accurate and complete cost studies of the sheep industry.

A very recent report issued by this division of the University of Wyoming, entitled the "Economic Impact of a Rise in Federal Grazing Fees on Wyoming's Sheep Industry," very vividly points out the financial position of Wyoming's sheepmen if the grazing fee hike and disregard of the capitalized permit value is implemented over the next ten years. (Tables 1 and 2 are attached as a part of this statement.)

Briefly, the University of Wyoming study concludes that the total operating costs per head of sheep in Wyoming was \$14.95 for the year just ended, 1968. The income per head for 1968 was \$16.03, which leaves a return to the owner's equity of \$1.08 per head, and represents a rate of return of 1.28 percent. I believe that most of you will agree that 1.28 percent return on investment is rather poor, especially when a 5 to 6 percent return can be achieved through most financial institutions.

However, ranching is a way of life. It has in the past provided a good living for the rancher and his family. He has had an independence that could not be enjoyed in other occupations, so consequently has attempted to hold the ranch

together, even though moneywise he probably could have been more successful elsewhere.

Now, let's continue from the study to see what the return will be in 1973 and 1978, five and ten years respectively, if the full fee increase is implemented on BLM lands. In 1973 the earnings per head would be 82 cents, if all costs and income remain constant, except for the increase in grazing fees. The percentage of return on owner's investment would then be 1.03 per cent. By 1978 when 100 percent of fee increase is in effect on BLM lands, and still assuming that income and all costs except federal grazing fees remain constant, the percent return to owner's investment would be less than one percent . . . it would be .65 percent.

Remember, the return was 1.28 percent in 1968, and in 1978 the grazing fee increase, if fully implemented and the capitalized permit value disregarded, would cut the return approximately one-half, or down to .65 percent.

Now, I believe you can appreciate more fully my earlier statement, when I said that the grazing fee increase and non-recognition of the permit value as a cost of doing business, is of grave concern to the sheepmen in Wyoming. There certainly would not be much incentive to continue to operate a sheep ranch in Wyoming if the already small return on investment is cut in half, because of an increase in the cost of operation, the use of forage.

The federal land agencies have completely ignored the recognition to the dollar market value of the grazing permit as an annual cost of doing business, which will have a most adverse effect on the net worth of the individual rancher. The average sheepman in Wyoming in 1968 owned only about 76 per cent on the total ranch investment; whereas the average agricultural producer throughout the U.S. owned approximately 82 per cent. With a decline in the value of federal permits, he would own even less of the total investment and, as such, would find it more and more difficult to borrow money to finance annual operating costs.

The sheepman at the present time is able to stay in business partially through the increased value in grazing land values. The banker recognizes this increase in land value and permits the individual operator to borrow against this rise in land values. As a result, instead of gaining in net worth, through the years the average sheep rancher in Wyoming is suffering a loss in net worth.

The asset value of the grazing fee permits in Wyoming is slightly more than 43 million dollars. It has been estimated that the fee increase will cut this in half. The resulting loss is estimated at slightly more than 21 million dollars.

Wyoming is a rural state, highly dependent on the livestock industry for much of its economy. The only way to keep the economy stable and work for its growth is to fully use the forage grown on the federal lands in the state, by livestock, at a fair and equitable value.

Livestock operators in Wyoming are highly dependent on the federal lands for forage for their livestock because over 50 per cent of Wyoming's land surface is owned by the United States government. If livestock are removed from the federal lands because livestock operators are unable to pay the increased grazing fees and because of non-recognition of permit value, Wyoming will be deprived of thousands of dollars of tax money.

According to the Wyoming Data Book, 1967, published by the Division of Business and Economic Research, University of Wyoming, property taxes paid by farmers and ranchers in Wyoming now takes 16.4 per cent of their net income, while all Wyoming citizens paid 7.2 per cent of their net income for property taxes.

In summation, the Wyoming Wool Growers Association, speaking for the sheepmen in the state, registers its opposition to the increased grazing fee and the non-recognition of the capitalization of the value of the permits as a cost of running sheep on the public lands, for the following reasons:

1. Wyoming has the largest total permitted AUM's of any state, in fact 13.1 per cent of the nation's total, consequently a 250 per cent and 400 per cent increased cost of using these AUM's would have a tremendous devastating impact on the economy of the communities and the state.

2. The Departments of Agriculture and Interior have completely disregarded the capitalized permit value factor as a legitimate cost of doing business.

3. Livestock are now receiving only 76 per cent of parity. The grazing fee increase and disregard of the capitalized permit value factor will further depress these basic industries.

4. The Public Land Law Review Commission has, as a part of their work, a thorough study of grazing fees which should be considered in determining the fee structure for grazing on public lands.

5. If additional revenue from the federal lands is of paramount concern to the federal agencies administering these lands, and the Bureau of the Budget, then *all* public land users should pay their fair share for the use of them.

The Preamble of the Taylor Grazing Act sets out as one of its objectives, "* * * to stabilize the livestock industry dependent upon the public range."

How can the Department of the Interior justify a 400 per cent increase in grazing fees and the complete disregard of the capitalized permit value in light of this section of the preamble?

Therefore, the Wyoming Wool Growers Association respectfully requests that the grazing fee increase on federal lands be held in abeyance pending a complete Congressional investigation to determine why these government bureaus, in the closing moments of their tenure in office, have arbitrarily ignored the true facts of the grazing fee studies and pre-empted the work of the Public Land Law Review Commission, to heap upon the heads of the livestock operators costs that will run them out of business.

Thank you, Mr. Chairman and members of the committee.

TABLE 1.—CAPITAL INVESTMENT AND OTHER INPUTS PER HEAD
[Federal Grazing Fee Rise Impact Study: Budget for 1968—Wyoming]

	Area of Wyoming			All Wyoming
	North-central	North-eastern	South-western	
Capital investment (per head):				
Deeded land.....	\$65.21	\$94.46	\$45.76	\$65.52
Buildings and improvements.....	9.00	12.68	5.80	8.72
BLM permit ¹	8.21	3.75	9.80	7.58
National forest permit ²	2.76	None	1.38	1.40
Power and machinery.....	5.93	5.07	3.84	4.80
Livestock.....	20.30	19.56	20.43	20.14
Feeds and supplies.....	1.74	.96	2.38	1.78
Total.....	113.15	136.48	89.39	109.94
Other inputs (per head):				
Mortgage debt.....	\$21.15	\$26.98	\$28.29	\$25.84
Owner's equity.....	\$92.00	\$109.50	\$61.10	\$84.10
Percent owner's equity.....	81	80	68	76
Number of sheep per ranch.....	3,776	3,948	7,946	5,577
Other inputs (per head):				
Acres owned land.....	\$3.02	\$4.50	\$6.25	\$4.80
Acres leased land.....	.75	1.85	3.50	2.22
Animal unit months (Bureau of Land Management).....	.57	.26	.68	.53
Animal unit months (National forest).....	.16	None	.08	.08
Months of feed from:				
Owned land.....	\$6.35	\$7.35	\$5.35	\$6.20
Rented land.....	\$1.50	\$3.00	\$2.50	\$2.35
Bureau of Land Management—Animal unit months.....	\$2.85	\$1.30	\$3.40	\$2.65
National forest—Animal unit months.....	\$0.80	None	\$0.40	\$0.40
Purchased feed.....	\$0.50	\$0.35	\$0.35	\$0.40
Percent lamb crop.....	95	85	83	88
Average weight of lamb (pounds).....	80.0	72.0	80.0	78.0
Pounds sold per head:				
Lamb.....	50.5	35.2	38.9	41.2
Ewe.....	13.1	12.0	12.9	12.7
Wool.....	10.0	9.9	10.5	10.2
Average price:				
Lambs (per hundredweight).....	\$21.10	\$21.10	\$21.10	\$21.10
Ewes (per hundredweight).....	\$5.50	\$5.50	\$5.75	\$5.60
Wool (per pound).....	\$0.65	\$0.67	\$0.64	\$0.65

1973 BUDGET

Loss in value of Federal grazing permits to Wyoming sheepmen:

Bureau of Land Management permit \$8.5 million (1,180,210 animal unit months times $\frac{1}{2}$ of \$14.41 per animal unit month).

National forest permit \$1.4 million (164,819 animal unit months times $\frac{1}{2}$ of \$17.29 per animal unit month).

¹ Based on a value of \$14.41 per animal unit month as reported by Bureau of Land Management grazing fee study.

² Based on a value of \$17.29 per animal unit month as reported by U.S. Forest Service study.

TABLE 2.—COSTS, RETURNS, AND EARNINGS PER HEAD OF SHEEP

[Federal Grazing Fee Rise Impact Study: Budget for 1968—Wyoming]

Components of cost	Area of Wyoming			All Wyoming
	Northcentral	Northeastern	Southwestern	
Hired labor.....	\$4.34	\$2.30	\$4.68	\$3.89
Feed purchased.....	2.12	1.37	1.27	1.55
Land leases.....	.60	.75	.70	.69
Bureau of Land Management fees.....	.19	.09	.22	.18
National Forest fees.....	.10	-----	.07	.06
Shearing.....	.59	.57	.71	.63
Fuel and repairs.....	1.35	1.27	1.05	1.20
Taxes.....	.76	.75	.74	.75
Depreciation.....	1.12	1.35	.70	1.01
Interest on operating loan.....	.50	.34	.40	.41
Interest on mortgage debt.....	1.16	1.45	1.52	1.40
Ram cost.....	.55	.48	.52	.52
Operator's labor.....	1.32	1.27	.63	.99
All other operating costs.....	1.86	1.42	1.70	1.67
Total cost ¹	16.56	13.41	14.91	14.95
Returns from:				
Wool.....	\$6.50	\$6.63	\$6.72	\$6.63
Lambs.....	10.66	7.42	8.20	8.69
Ewes.....	0.72	0.66	0.75	0.71
Total income.....	17.88	14.71	15.67	16.03
Total operating costs.....	16.56	13.41	14.91	14.95
Return to owner's equity.....	1.32	1.30	.76	1.08
Rate of return to owner's equity (percent).....	1.43	1.19	1.24	1.28
Owner's equity (per head—1968).....	\$92.00	\$109.50	\$61.10	\$84.10
Owner's equity (per head—1973).....	\$86.52	\$107.62	\$55.51	\$79.61

1973 BUDGET

Bureau of Land Management fee (\$0.33 to \$0.78=136 percent).....	\$0.26	\$0.12	\$0.30	\$0.24
Forest fee (\$0.15 to \$0.19=28 percent).....	\$0.03	None	\$0.22	\$0.02
Return to owner's equity (1973).....	\$1.03	\$1.18	\$0.44	\$0.82
Rate of return to owner's equity (1973) (percent).....	1.19	1.10	0.79	1.03
Increased cost to Wyoming ranchers in 1973 with Federal fee increases:				
Bureau of Land Management fees $0.24 \times 1,675,256$ equals.....				\$402,061
Forest fees $0.02 \times 824,095$ equals.....				16,482
Total.....				418,543

¹ Does not include interest imputed on owner's capital.

Mr. BARING. Thank you very much for your fine statement.

The next witness is Carl Jorgensen, president of the Wyoming Stock Growers Association.

STATEMENT OF CARL JORGENSEN, PRESIDENT, WYOMING STOCK GROWERS ASSOCIATION, PINEDALE, WYO.

Mr. JORGENSEN. Mr. Chairman, members of the committee. I will just run through part of this statement and refer to a section or two in it in order not to consume too great an amount of time.

I have here excerpts from a congressional hearing I have referred to. I would like to submit that.

(Document referred to follows:)

Review of the Taylor Grazing Act, Hearings before the Subcommittee on Public Lands of the Senate Interior Committee, 88th Congress, 1st session, February 7 and 8, 1963.

Page 397. (Statement of John A. Carver, Jr., Assistant Secretary of the Interior, Public Land Management.):

"* * * In this, in a sense, I've been your ally. For I've said that the fee isn't as much of a subsidy as it appears. Values of commensurate property of public range users have adjusted to the present schedule of fees. And increase in grazing fees would, in effect, multiply the price already paid. * * *"

Page 398. "* * * It is, only, a well-intentioned effort on my part to think through the matter of fees taking into account the principles which I deem important in the administration of the Department's responsibilities under the Taylor Grazing Act of 1934."

In conclusion, let me review what these principles are: "* * * (2) The situation of the users has to be taken into account, and particularly the capitalized value of the Taylor Act priorities and fee levels. Raising fees without adequate consideration of this could result in confiscatory action. * * *"

Mr. JORGENSEN. Mr. Chairman, I am Carl Jorgensen, president of the Wyoming Stock Growers Association, from Pinedale, Wyo.

On behalf of the membership of the Wyoming Stock Growers Association, a voluntary livestock organization of more more than 2,500 Wyoming ranchers, it is necessary for me to take strong exception to the adjustment of grazing fees on national forests and public lands as proposed by the Secretary of Agriculture and the Secretary of Interior in December 1968.

Wyoming livestock operators are using 13.1 percent of the total 21,440,031 AUM's provided by the public lands in the United States.

In view of the fact that the current market price for livestock is running about 76 percent of parity, it is easy to see that the proposed fee increases can only add to the spiraling cost of production of these meat animals, and will further depress these basic industries which are so vital to Wyoming's overall economy.

Generally speaking, the prices received for live cattle at the markets are now just about the same as they were in the year 1948. This simply means that the rancher has had very little or no increase in his gross income from grazing livestock for more than 20 years. Yet the cost of beef production has gone up by leaps and bounds during the same period of time. Continuation of this drastic cost-price squeeze will force liquidation upon many of our Wyoming ranchers and particularly the smaller and medium-sized units.

Nowhere in the Taylor Act can I find mention of the term "fair market value" as applied to fees; instead I find numerous references to "reasonable fees" and "stabilization of the livestock industry." It is my opinion that the overall legality of the proposal should be scrutinized before these proposed regulations are implemented. If these proposed fees are implemented over the entire 10-year period, the immediate and disastrous effect will be to decrease the market value of the total ranch assets by as much as 50 percent, and this, in turn, will force many agricultural lending institutions to recall outstanding livestock loans, with a net result of forcing the same livestock operators out of business.

In my contacts with stockmen discussing the proposed grazing fees that are now being implemented, I have found that the method and formula used by the Statistical Reporting Service failed—I recognize that it probably has not taken into full consideration—to take into consideration the breeding costs on public lands as compared to private lands. My research shows that there is a difference of from \$15 to \$20 per calf in breeding costs on public land as compared to private land, when the percentage of calf crop is figured at 70 percent on public lands as compared to 90 percent on private lands.

In addition to these increased factors, I am concerned that one reason that private leases rose so rapidly in the early 1960's was due to the fact of the greatly increased demand for private leases because of the drastic reduction or suspended use in Bureau of Land Management permits that were imposed upon permittees immediately prior to the time the survey was taken.

When these permittees were forced off the public lands or took a reduction of approximately 48 percent, as they did in our area, the demand for private pastures immediately rose around 75 percent. They nearly doubled at that time. That was immediately prior to the time the study was taken. So I feel that the price of private pastures that were considered had been jacked up to that percentage at the time that they were taken and were not a true value of the private pastures.

I would like to refer at this point to what I did not have in this brief statement, on page 3 of my full report, full statement.

The members of our Association are most concerned over the fact that we were told in a public meeting held in Boise, Idaho, in September of 1966, by representatives of the Bureau of Land Management and the U.S. Forest Service, that the capitalized market value of the grazing permit would be one of the cost factors taken into account when the results of the grazing fee study were compiled and reported. It was upon this assurance that we pledged the support of our members in providing dependable and factual information to the Statistical Reporting Service for the survey.

Additionally, I would like to remind the members of the committee that in February 1963, officials representing the Bureau of Land Management and Forest Service—

Mr. ASPINALL. The gentleman's time has expired. He has already submitted the report.

(The complete prepared statement follows:)

STATEMENT OF CARL JORGENSEN, PRESIDENT, WYOMING STOCK GROWERS
ASSOCIATION, PINEDALE, WYO.

Mr. Chairman, I am Carl Jorgensen, president of the Wyoming Stock Growers Association, from Pinedale, Wyoming.

On behalf of the membership of the Wyoming Stock Growers Association, a voluntary livestock organization of more than 2500 Wyoming ranchers, it is necessary for me to take strong exception to the adjustment of Grazing Fees on National Forests and Public Lands as proposed by the Secretary of Agriculture and the Secretary of Interior in December, 1968.

Wyoming livestock operators are using 13.1 percent of the total 21,440,031 AUM's provided by the public lands in the United States. This is the largest percentage of AUM's that is allocated to permittees from any state in the Union, so it rightfully follows that Wyoming's livestock industry is the most affected by this proposal.

This proposal would bring about a serious economic threat to the general economy of the State of Wyoming because agriculture is the second largest industry within our State. In view of the fact that the current market price for livestock is running about 76% of parity, it is easy to see that the proposed fee increases can only add to the spiraling cost of production of these meat animals, and will further depress these basic industries which are so vital to Wyoming's over-all economy.

Generally speaking, the prices received for live cattle at the markets are now just about the same as they were in the year 1948. This simply means that the rancher has had very little or no increase in his gross income from grazing livestock for more than twenty years.

Now needless to say, his costs of producing this beef have gone up by leaps and

bounds during the last twenty years, and here the federal government is proposing enormous increases to his costs of production through increased grazing fees. As is usually the case, if these fees are implemented, the very large rancher will somehow survive, but the middle-sized and smaller rancher that is dependent upon public lands for a portion of the year's grazing, will be the one that is forced out of business because of increased costs. Abandoned ranches contribute little or nothing to either the regional business or local tax base, and will adversely affect the economy of many communities as well as entire counties of some of our western states that depend heavily upon sheep and cattle production for taxes to build roads, schools and other local needs.

The Association is also deeply concerned that the survey conducted by the Statistical Reporting Service has been apparently disregarded because it did not match up to the preconceived position of the then Secretaries of Agriculture and Interior. It is our contention that the dollar value of the livestock grazing permit, like land, is a rancher-owned asset that it not depreciable, but rather was paid for when the base lands were purchased or acquired. The permit value came into existence as a result of a legal requirement set forth by the United States government in 1905 and 1934, respectively. The essence of this legal requirement is that a stockman to be eligible to hold and own a permit, must control sufficient private land or water resources to sustain his livestock while they are not grazing on federally owned lands. Because of this commensurability requirement, the dollar value of the grazing permit must be capitalized into the total ranch investment. The only acceptable and meaningful basis for comparison of the public land grazing permittee with the holder of a private grazing lease, must include the cost of owning and paying for the grazing permit. Without this cost calculation the entire formula is meaningless.

The members of our Association are most concerned over the fact that we were told in a public meeting held in Boise, Idaho in September, 1966, by representatives of the Bureau of Land Management and the U.S. Forest Service, that the capitalized market value of the grazing permit would be one of the cost factors taken into account when the results of the Grazing Fee Study were compiled and reported. It was upon this assurance that we pledged the support of our members in providing dependable and factual information to the Statistical Reporting Service for the survey. Additionally, I would like to remind the members of the Committee that in February, 1963, officials representing the Bureau of Land Management and the Forest Service, testified to the fact that the capitalized cost of the grazing permit is a legitimate cost of doing business for the permittee of public lands. These statements were made at Hearings on review of the Taylor Grazing Act before the sub-committee on Public Lands of the Committee on Interior and Insular Affairs of the United States Senate, February 7 and 8, 1963.

Also I would like to remind you that the grazing users and the mineral and oil lessees have been paying user fees consistently since the passage of the Taylor Grazing Act, while many other users of the public lands escape direct users' fees—a fact which should be corrected before any thought is given to increasing existing user fees on public domain.

The specific guidance and criterion given by Congress to the Secretary of the Interior in establishing fees for use of federal range is found in Section 3 of the Taylor Act as amended in 1947. Section 3 prescribes that the Secretary shall issue permits upon the payment of annual "reasonable fees" which shall consist of range improvement fees and fees for the use of the range. The Secretary "shall take into account the extent to which grazing districts yield public benefits over and above those accruing to the users of the forage resources."

Nowhere in the Taylor Act can I find the mention of the term "fair market value" as applied to fees, but instead I find numerous references to "reasonable fees" and "stabilization of the livestock industry." It is my opinion that the overall legality of the proposal should be scrutinized before these proposed regulations are implemented.

If these proposed grazing fees are implemented over the entire ten year period, the immediate and disastrous effect will be to decrease the market value of the total ranch assets by as much as 50 percent, and this in turn will force many agricultural lending institutions to recall outstanding livestock and land loans, with the net result of forcing these same livestock operations out of business.

Substantial losses are now being incurred by a majority of these range livestock operations, which have been brought about by more than a 100 percent increase

in production costs since 1950. If we continue to force, by governmental action, additional and continued inflation upon this vital segment of the nation's food producers, who are already floundering in financial trouble, I can only say that I feel it is an *outrageous and cynical abuse of power*, in face of adverse economic circumstances.

In my contacts with stockmen discussing the proposed grazing fees that are now being implemented, I have found that the method and formula used by the Statistical Reporting Service failed to take into consideration the breeding cost on public lands as compared to private lands. My research shows that there is a difference of from \$15 to \$20 per calf in breeding costs on public lands as compared to private, when the percentage of calf crop is figured at 70 percent on public lands as compared to 90 percent on private lands. In addition to this increased cost factor, I am concerned that one reason that private leases rose so rapidly in the early 1960's was due to the fact of the greatly increased demand for private pasture leases because of the drastic reductions or "suspended use" of Bureau of Land Management permits that were imposed upon permittees immediately prior to the time the survey was taken.

The Wyoming Stock Growers Association requests that this proposal be held in abeyance pending a complete congressional investigation to determine what are the true costs of grazing upon the public lands as compared to private lands, and also to determine what effect such large fee increases would have on the economic stability of the western livestock operator, as well as the many local communities that are so dependent upon his financial well-being.

The American people, always champions of fair play, must be told the truth in complete congressional review so that the future of our public lands states can be assured today and tomorrow. It is beyond comprehension that such drastic fee increases would be imposed upon the livestock industry at this time, especially when the express purpose of the Taylor Grazing Act was to "stabilize" the livestock industry of the United States.

Thank you again for your time and attention to this matter, and in parting I would like to recommend strongly that the imposition of these fee increases be delayed until the Public Land Review Commission has time to complete its studies in regard to these matters, and makes its final report to the Congress of the United States.

TABLE I.—U.S. FOREST SERVICE—AVERAGE COSTS PER ANIMAL UNIT MONTH FROM GRAZING FEE STUDY

[Cattle]

Item	Average nonfee cost per animal unit month of running livestock on Forest Service lands ¹	Average cost per animal unit month of running livestock on private lands
1. Annual capitalized market value of the grazing permit ²	\$1.52	
2. Private lease rate.....		\$1.86
3. Lost animals.....	.61	.38
4. Association fees.....	.19	
5. Veterinarian.....	.13	.14
6. Moving livestock to and from allotment.....	.33	.24
7. Herding.....	.47	.16
8. Salting and feeding.....	.41	.85
9. Driving to and from allotment.....	.41	.27
10. Water.....	.04	.07
11. Horses.....	.23	.10
12. Fence maintenance.....	.27	.78
13. Water maintenance.....	.18	.10
14. Development depreciations.....	.13	.02
15. Other costs.....	.17	.12
Total cost per animal unit month.....	5.09	4.59

¹ Represents all national Forest Service lands in survey.

² Represents the average nonfee costs of running livestock on Forest Service lands. The average grazing fee in 1966 was \$0.51 per animal unit month for cattle.

³ Capitalized at 6 percent (the cost of money) and represents the annual capitalized dollar market value of the permit which was, based upon the study, an average of \$25.35 per animal unit month on a national basis (Regions I-IV). (The computation was as follows: $\$25.35 \times 6\% = \1.52 per animal unit month.)

TABLE II.—BUREAU OF LAND MANAGEMENT AVERAGE COSTS PER ANIMAL UNIT MONTH FROM GRAZING FEE STUDY¹

[Cattle and Sheep]

Item	Average nonfee cost per animal unit month of running livestock on bureau land management lands ²	Average cost per animal unit month of running livestock on private lands
1. Capitalized grazing permit ³	\$0.87	
2. Private lease rate.....		\$1.82
3. Lost animals.....	.60	.40
4. Association fees.....	.04	
5. Veterinarian.....	.10	.14
6. Moving livestock to and from allotment.....	.21	.24
7. Herding.....	.49	.80
8. Salting and feeding.....	.69	.87
9. Driving to and from allotment.....	.31	.28
10. Water.....	.11	.07
11. Horses.....	.12	.09
12. Fence maintenance.....	.21	.27
13. Water maintenance.....	.20	.10
14. Development depreciations.....	.11	.02
15. Other costs.....	.14	.13
Total cost per animal unit month.....	4.20	4.63

¹ Represents all BLM grazing districts.² Represents the average nonfee costs of running livestock on BLM lands. The average grazing fee in 1966 was \$0.33 per animal unit month.³ Capitalized at 6 percent (cost of money) and represents the annual capitalized dollar market value of the permit which was, based upon the study, an average of \$14.41 per animal unit month on a national basis. (The computation was as follows: $\$14.1 \times 6 \text{ percent} = \0.87 per animal unit month.)⁴ Prepared by the American National Cattlemen's Association.

Mr. ASPINALL. Mr. Jorgensen, I want you to send me an affidavit with regard to that last paragraph you have just read. We believe you, but we have to have something in our record. We want something definite that you were told. We do not want something that you were led to believe. But we want somebody to state upon oath that he was told by these people that you would be given this consideration. If you get that to us, we will be very grateful.

Mr. JORGENSEN. I think that I can do that and I would like to submit a copy of this letter that we sent out to the people that were surveyed. We sent this out to the Statistical Reporting Service so that they could mail it, because we did not have the addresses. That proves our cooperation with this reporting service.

Mr. BARING. That will be made a part of the record without objection.

(Letter and affidavits referred to follow:)

WYOMING STOCK GROWERS ASSOCIATION,
Cheyenne, Wyo., March 14, 1969.

HON. WAYNE ASPINALL,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN: As per our recent conversation in Washington, D.C. last week, am sending you a copy of the minutes of the American National Cattlemen and the National Wool Growers meetings on Public Lands and Forest Advisory matters held in Boise, Idaho, September 20th to 22nd, 1966. I have gone over these minutes and have marked in red the important portions relative to the matter of permit value.

I am also enclosing several copies of affidavits signed by individual ranchers from Wyoming that were in attendance at this meeting. I think the affidavits are self-explanatory inasmuch as they do testify that the minutes as recorded are correct.

I think that you will be able to see from the tone of the minutes of the meeting that the truly high officials of the Bureau of Land Management and the Forest Service were in attendance, and at that time made no particular objections to the inclusion of the grazing permit value as one of the accepted costs of grazing livestock on public land.

I certainly enjoyed the opportunity of visiting with you while in Washington, and trust that this information will be of some assistance to you in helping us on this very important matter of grazing fees.

Thank you again for many past favors.

Sincerely,

CARL JORGENSEN, *President.*

AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION AND
NATIONAL WOOL GROWERS ASSOCIATION,
Boise, Idaho, September 20, 1966.

The meeting was called to order by Chairman Leonard Horn, Wolcott, Colorado. Co-chairman was Joe Donlin who also is chairman of the NWGA Public Lands Committee.

Some visitors introduced were: Mr. Harry Anderson, Assistant Secretary of the Interior, Washington, D.C.; Mr. Eugene Zumwalt, Assistant Director, BLM, Washington, D.C.; Mr. Boyd Rasmussen, Director, BLM, Washington, D.C.; and Mr. Glen Fulcher, Chief, Range Management, Washington, D.C. Representing the U.S. Forest Service were: Mr. Edward Cliff, Chief, U.S. Forest Service, Washington, D.C.; Mr. R. M. DeNio, Director, Range Management, U.S. Forest Service, Washington, D.C.; and Mr. Lynn Rader, Chief Economist, U.S. Forest Service, Washington, D.C. Several regional, state and local BLM and Forest Service representatives also attended the meeting.

Harry Anderson, Boyd Rasmussen and Glen Fulcher made some brief introductory remarks concerning some of the BLM cooperative range management projects now underway. It was pointed out that many of the range management problems we have on BLM lands in this country are the same problems livestock producers and land administrators have in many other countries, such as in Nigeria. In this connection, the BLM is both sponsoring and encouraging an "exchange of personnel" program with some foreign countries at the present time.

I. Public Land Law Review Commission

We were fortunate in holding our Public Lands Committee and Forest Advisory Committee mid-year meeting immediately following a four-day meeting of the PLLRC, including the advisory council and the Governor's representatives, in Denver. Jerry Muys, Assistant General Counsel for the PLLRC, and John Marvel gave a brief review of the PLLRC Colorado meeting.

A. Hearings conducted by the Commission: The first hearing was held in Salt Lake City and was very well attended. About 73 people gave testimony. Although a number of commercial and non-commercial public land users and interest groups were represented at the Salt Lake hearing and expressed their views on a number of matters, the need for much improved tenure or security of investment for range livestock operators using public grazing lands was most frequently cited as a major problem and one that deserved immediate attention and review by the Commission.

The second and third public hearings held by the Commission were held in Alaska and Boston, Massachusetts. The problem most frequently cited during the Alaska hearing was the need for more private land and a reasonable disposition policy. Close to 100 percent of the land in Alaska is federally owned. The problem most frequently cited in the Boston hearing, which was in direct contrast to the major problem in Alaska, was the need for more government acquisition of land for recreation, fishing and hunting purposes.

The first three hearings encouraged testimony and statements from individual and local organizations. National organizations such as the ANCA and the NWGA will be given the opportunity to testify and file statements at a later date concerning critical public land problems and needs. The Commission is holding its next hearing in Albuquerque, New Mexico, on the 10th and 11th of November. Individuals are once again encouraged to present testimony.

It is very important that as many individual cattlemen and sheepmen present testimony and file individual statements at the forthcoming public hearings. This

is about the only way that the individual stockman can make his specific views concerning needed changes in present laws, policies, and land management practices governing federal grazing lands a part of the record. Written statements can be filed with the Commission 30 days following the day of the hearing, so the interested individual wishing to express his views need not be present at the hearing to do so.

B. Other activities of the Commission: The Commission and its professional staff is now in the process of trying to identify and determine which public land problems need to be studied and what are all the relevant facts and economic and social relationships which are needed in order that the Commission will be in a position to make an informed and rational judgment concerning modifications or changes in present public land laws, policies and land management practices.

Thus, the basic function of the Commission is to: (1) Gather the facts; (2) analyze the facts; and (3) make recommendations to Congress based upon the facts. They stressed the importance of individual stockmen letting the Commission know the facts.

The Commission has already let one very important contract with Professor Gates, Cornell University, for the purpose of having a complete review and composite study of all public land history. Another important study which will be contracted very soon is concerned with revenue sharing and payments in lieu of taxes by the federal government as they relate to public lands. A number of additional studies will be forthcoming.

Bill McMillan, Bill Helming and representatives from the BLM and Forest Service reviewed the basic methodology connected with the grazing fee structure, and the grazing fee study outline as developed and proposed by the ANCA. The essence of the proposed fee structure centers around a comparison of all costs associated with running livestock on private lands (normally thought of as a commercial private lease arrangement) *with all costs, excluding the actual grazing fee, associated with running livestock on public lands for comparable range conditions and carrying capacities and seasons of use. The costs incurred by the range livestock permittee, expressed on an animal unit month basis, while his livestock are on the public range, not including the actual grazing fee per se, includes all labor costs, all maintenance costs, all water, livestock and other transportation costs, supplemental feeding costs, all rancher owned range improvement costs, death loss (the grazing permit value) and miscellaneous costs of running livestock on the public rangelands.*

Similarly, by accounting for all the individual costs associated with running livestock on comparable private land, identifying, of course, those costs and services incurred and supplied by the lessee and the lessor, one can make a realistic and reasonable comparison of the costs of running livestock on both private and public lands. Therefore, by subtracting the total costs of running livestock on public lands, expressed on an AUM basis, exclusive of the grazing fee, from the total costs of running on private lands (commercial private lease rates), the basis for a realistic and equitable grazing fee structure results.

Two very important assumptions or principles are associated with the above approach:

(a) That differences in calving percentages, weaning weights, death loss, etc., will be reflected in different levels of carrying capacity.

(b) That the market place serves as the major determinant of the economic value of an AUM of range forage to the livestock permittee through the use of commercial private lease rates.

At the request of the livestock industry, the Bureau of Land Management and the Forest Service have agreed to make an extensive economic survey. This survey is being carried out by the Statistical Reporting Service through its offices of state agricultural statisticians. The principal purpose of the survey is to determine the total costs, other than grazing fees, incurred when grazing livestock on public lands, and all costs when leasing private grazing land.

The state SRS representative will contact those ranchers selected in the sample and make an appointment with the permittee to sit down and methodically interview him. The rancher will be able to answer most of the questions from memory or by checking his records. If the rancher does not have an exact answer, his best estimate will be fine. The rancher will be allowed as much time as necessary to answer all the questions. If for some reason the rancher needs

more time to adequately answer all questions and do himself justice, he can make the necessary arrangements with the state SRS representative to meet with him at a later date. Furthermore, all ranchers interviewed will be allowed to contact the SRS representative and give him additional cost information, etc., if the rancher thinks of additional information following the original interview.

The grazing fee study is being conducted in each of the 17 western states. About 25 percent of all permittees will be interviewed. The cost data and other information concerning the rancher's allotment and use of the public rangelands or private leases will be kept confidential and will be combined with data from other ranchers. The actual interviewing started on September 22 and all interviewing for the complete study is expected to be completed by November 15. All field work associated with BLM subsample is expected to be completed by October 24. Sometime between November 1 and November 15, BLM officials will meet with the special National Advisory Board Council grazing fee committee to discuss an interim BLM grazing fee for 1967. Following this meeting, the grazing fee matter and preliminary results of the study will also be discussed and reviewed by the local advisory boards.

Those ranchers selected to participate in the sample should receive two letters. The first letter signed by the state statistician was to notify the rancher that he was selected as part of the sample to cooperate in the study, as outlined above, and indicated that the grazing fee study and survey has been endorsed by the ANCA and the NWGA. The second letter was the result of the public lands committees' interest in encouraging all stockmen selected to participate in the survey to fully cooperate in the study. It was moved by Lloyd Van DeBurg (Wyoming) that a letter be drafted to be mailed through the state statistician to those individual ranchers included in the survey. The motion was seconded by W. P. Hinman (Colorado) and was passed unanimously. A letter was drafted at the Boise meeting and this same letter was signed by the presidents of each of the state cattlemen's and wool growers associations and was sent out on or before September 26.

III. Flexible range management systems

Gene Zumwalt discussed BLM flexible range management plans. He indicated that flexible grazing systems were only a structural tool or guideline to facilitate improved grazing and land management practices. He said that all grazing plans or systems must remain flexible in order to meet local conditions and requirements. Mr. Zumwalt further indicated that the BLM recognized that a specific grazing plan that worked well in one district may not work well in another district. He said that long-term flexible range management and grazing plans can help improve the permittee's tenure on public lands.

A number of the stockmen at the meeting stressed the importance of all livestock grazing plans remaining flexible. The stockmen said that they are in favor of improved forage production and utilization (carrying capacity) resulting from a specific type of grazing plan in a specific range area, but they felt it was extremely important that different plans be tested so that if a modified plan was better or superior to that in existence now, that the modified plan be adopted.

IV. Land classification

There was relatively little discussion concerning the Public Land Sales Act, inasmuch as on a national basis, very little land has been sold under the law. Under this Act, no public lands can be sold for livestock grazing purposes. The BLM has been trying to abide by local and county governing laws when public lands are disposed of through this Act. Public notification of any proposed public land sale involving the law is required.

There was much more interest in the Multiple Use Act. There are several trial multiple use programs or projects now underway with the interest to "work out the details" of specific multiple use policies and problems to meet specific and local conditions. The BLM officials represented at the Boise meeting said that they are leaving the specific application of the Act up to the local district managers, so that to the fullest extent possible, local conditions and needs of the many different interest groups using the public lands will be accounted for. The stockmen agreed and emphasized that to be implemented effectively in the interest of all users of public lands, flexibility was a must.

AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION AND
NATIONAL WOOL GROWERS ASSOCIATION,
Boise, Idaho, September 22, 1966.

The meeting was called to order by Chairman Lawrence Bradbury of Challis, Idaho. Chairman Bradbury introduced Walter Little of New Plymouth, Idaho, as co-chairman of the meeting representing the National Wool Growers Association.

Chairman Bradbury expressed the feelings of all those who were fortunate in taking part in the field trip on the 21st by saying that the trip was very well planned, interesting and clearly showed the group that most of Idaho is truly drought stricken this year.

Visitors introduced were: Mr. Edward Cliff, Chief, U.S. Forest Service, Washington, D.C.; Mr. R. M. DeNio, Director, Range Management, U.S. Forest Service, Washington, D.C., and Mr. Lynn Rader, Chief Economist, U.S. Forest Service, Washington, D.C. Several regional state and local Forest Service representatives also attended the meeting.

Since the subject of grazing fees was thoroughly discussed on the 20th, Mr. Cliff, Mr. DeNio and Mr. Rader said that the review during the public lands meeting covered the matter very well and that they were in agreement with the grazing fee study and the progress that is being made towards arriving at a grazing fee structure and formula that we can all live with.

Mr. Cliff discussed and emphasized the importance of both the Forest Service and the range livestock industry identifying and clearly describing the many benefits that result from domestic livestock harvesting. Native and improved forage that is on the forest grazing lands, plus the advantages and benefits to all users of the public lands, result from range improvements financed by both the stockman and the Forest Service. Mr. Cliff was stressing basically the same idea and point that the special committee representing the American Society of Range Management and the range livestock industry was making on the 20th, which is covered in the minutes of the Public Lands Committee meeting.

Mr. Cliff and Mr. Rader encouraged the range livestock industry and the ANCA to help the Forest Service place a value on many of the additional benefits that can be measured, plus helping to describe and identify the definite changes in aesthetic values due to range improvement programs. They pointed out that investments in the form of range improvements of almost any kind place many additional dollars in circulation that will turn over many times within a community and thereby be considered a definite benefit to a particular region. Other benefits take the form of increased carrying capacity of the range and hence more pounds of meat produced plus increased wildlife inventories and protection. Furthermore, the quality of the range is improved and a number of watershed values and benefits result from the range improvements made by the stockmen and the government. He also stressed the importance of the industry further justifying and proving the value of compatible multiple use. Mr. Cliff said that cattlemen and sheepmen are instrumental in helping to make the ranges and Forest Service lands used for grazing, the "showcase of America" and hence should take credit for it and show the American people the value of multiple use management and range improvement.

The following question was asked of Mr. Cliff. Is the matter of unauthorized range improvements on Forest Service lands a problem? Mr. Cliff replied by saying no and that most all rancher range improvements are already authorized and that their records are up to date.

WYOMING STOCK GROWERS ASSOCIATION,
Cheyenne, Wyo., September 23, 1966.

DEAR MR. STOCKMAN: At the request of the livestock industry, the Bureau of Land Management and the Forest Service have agreed to make a survey, in order to fully analyze the grazing fee structure. The principal purpose of the survey is to determine the total costs, other than grazing fees, incurred when grazing livestock on public land; and all costs when leasing private grazing land.

If this survey is to be meaningful it will require the full cooperation of each stockman selected to participate. You have recently received a letter from Mr. Lester Hoffman of the Wyoming Crop and Livestock Reporting Service asking you to assist in this special study. Through his cooperation this letter is being sent to you without our knowledge as to who is to receive it, so that your identity will remain confidential.

We earnestly urge you to help assure the success of this program by supplying the representative of the Wyoming Crop and Livestock Reporting Service with accurate and complete cost information. You may not be a member of the Wyoming Stock Growers Association, but as a range livestock operator your help is essential to a program that may have far reaching effects on the range livestock industry.

Sincerely,

LLOYD VAN DEBURG, *President.*

WYOMING WOOL GROWERS ASSOCIATION,
Casper, Wyo, September 26, 1966.

DEAR WOOL GROWER: The Executive Committee of the Wyoming Wool Growers Association, at a meeting in Casper in September 19, voted to endorse the Western Livestock Grazing Survey. This survey is an important step toward a more equitable and scientific approach to establishing fees for grazing livestock on public lands.

The results of this survey will provide information, for the first time, on the cost of using public grazing lands. It will also provide a basis for evaluating grazing fees on public lands.

The survey will also determine the average fees for grazing livestock on deeded land. Therefore, it is most important that you record on the survey ALL the costs you incur when using public grazing lands.

The Statistical Reporting Service of the U.S. Department of Agriculture has the responsibility for the collection of the cost information. Your cooperation by giving freely of your time when their representative contacts you will be appreciated.

There is an article on page 16 of the September 1966 WYOMING WOOL GROWER magazine which will be of interest to you. It explains in more detail why this data will be collected.

Your cooperation will be appreciated.

Sincerely,

M. JOSEPH BURKE, *President.*

AFFIDAVIT

This is to certify that I was in attendance at the Public Lands and Forest Advisory Meetings held in Boise, Idaho, on September 20-22, 1966.

I have read the attached minutes of these meetings and do swear that these minutes are correct and that to the best of my memory no objections were made to the "inclusion of the permit value" as a recognized cost within the structure of the agreed upon range survey.

CARL JORGENSEN.

Subscribed and sworn to before me this 14th day of March, 1969.

ELEANOR H. GOVIG,
Notary Public.

My commission expires 7-8-70.

AFFIDAVIT

This is to certify that I was in attendance at the Public Lands and Forest Advisory meetings held in Boise, Idaho, on September 20-22, 1966.

I have read the attached minutes of these meetings and do swear that these minutes are correct and that to the best of my memory no objections were made to the "inclusion of the permit value" as a recognized cost within the structure of the agreed upon range survey.

DEAN T. PROSSER, Jr.

Subscribed and sworn to before me this 10 day of March, 1969.

ELEANOR H. GOVIG,
Notary Public.

My commission expires 7-8-70.

AFFIDAVIT

This is to certify that I was in attendance at the Public Lands and Forest Advisory meetings held in Boise, Idaho, on September 20-22, 1966.

I have read the attached minutes of these meetings and do swear that these minutes are correct and that to the best of my memory no objections were made to the "inclusion of the permit value" as a recognized cost within the structure of the agreed upon range survey.

CLARENCE M. GRIEVE.

Subscribed and sworn to before me this 11th day of March, 1969.

W. A. SMITH,
Notary Public.

My commission expires 9-24-72.

Mr. BARING. The next witness is Denny Jones, president, and Charles Otley, chairman of the public lands committee, Oregon Cattlemen's Association.

STATEMENT OF DENNY JONES, PRESIDENT, OREGON CATTLEMEN'S ASSOCIATION

Mr. JONES. Thank you, Mr. Chairman.

I am Denny Jones, president of the Oregon Cattlemen's Association. The following remarks was prompted by the recent proposed raise in the grazing fees to graze livestock on the public range.

In 1966, the livestock people who use the public range entered into an agreement with the Bureau of Land Management and the Forest Service to contract with the Statistical Reporting Service to conduct a survey of the cost of using public lands as compared to using private lands. There were some 10,000 samples taken using the 15 cost items listed below to arrive at the cost of an AUM.

(The items referred to follow:)

BLM—AVERAGE COST PER ANIMAL UNIT MONTH FOR CATTLE AND SHEEP FROM GRAZING FEE STUDY

	Average non-fee cost per animal unit month on BLM lands	Average cost per animal unit month on private lands
1. Capitalized grazing permit ¹	\$0. 87	.....
2. Private lease rate.....		\$1. 82
3. Lost animals.....	.60	.40
4. Association fees.....	.04	.....
5. Veterinarian.....	.10	.14
6. Moving livestock to and from allotment.....	.21	.24
7. Herding.....	.49	.20
8. Salting and feeding.....	.69	.87
9. Driving to and from allotment.....	.31	.28
10. Water.....	.11	.07
11. Horses.....	.12	.09
12. Fence maintenance.....	.21	.27
13. Water maintenance.....	.20	.10
14. Development depreciations.....	.11	.02
15. Other costs.....	.14	.13
Total cost per animal unit month.....	4. 20	4.63

¹ One of these items as you will notice was the permit value which certainly is a cost of doing business.

Mr. JONES. The formula agreed upon by the livestock people and the Government representatives was the survey mentioned above using all 15 cost items.

The differences between the cost of running on public land versus private land would be the grazing fee, yet the Bureau of Land Management and the Forest Service elected not to use the permit value as a cost of doing business while figuring the proposed new grazing fee. The Bureau of Land Management and Forest Service contend the permit does not have a dollar value and therefore, could not be used as one cost item in figuring the fee. Yet there is money loaned regularly on the permit and just recently there was a Federal gift tax paid on a forest permit when it was transferred to members of the family.

We can certainly refer back to the original Taylor Grazing Act and the statement in it that said, "There shall be a reasonable fee charged."

The raise to \$1.25 per AUM by 1979 certainly is not reasonable and will no doubt put many livestock people who are using the public range out of business. In my home county we are about 75 percent Federal land and much of the economy of the county depends on the grazing of livestock.

I was living at my present location during the enactment of the Taylor Grazing Act and well remember the rules laid down by the act requiring an applicant for a grazing permit to have enough base property to be commensurate before a license was issued. This requirement was one of the real valuable assets to a community as it tied the ranch and the range together and made an operation that one could build future plans on.

Much of the rangeland in the Western States has had many thousands of dollars spent on them in improvement and conservation practices, thereby preserving the range for livestock, wildlife, and recreation. It is estimated here in Oregon that big game such as deer, elk, and antelope are on private land more than 55 percent of the time, still we get no fee whatever for the forage consumed by wildlife.

It seems to me there is no justification for the exorbitant raise in grazing fees at the end of 10 years. We agree that a raise as provided for in the formula is reasonable. We, also, feel that to impose the entire raise on the livestock people is not in the best interest of the general public.

If the forage on the public range is priced out of reach of the livestock people what will become of it? This is a renewable resource and if it is not harvested by livestock and wildlife, it will then become a fire hazard during the summer as well as a financial loss to the communities involved.

Mr. Chairman, I would like to state further that personally, I do not think it would be possible for me to pay this entire amount of \$1.23 on my particular range on a 7-month basis.

Mr. BARING. Was Mr. Otley going to make a statement, too?

STATEMENT OF C. M. OTLEY, ON BEHALF OF OREGON CATTLEMEN'S ASSOCIATION, AND CHAIRMAN OF THE PUBLIC LANDS COMMITTEE

Mr. OTLEY. Gentlemen.

Thank you, Mr. Chairman.

My name is C. M. Otley. I reside at Diamond, Ore.

I am testifying on behalf of the Oregon Cattlemen's Association in the capacity of Chairman of the Public Lands Committee, and also as an individual. My testimony will be in opposition of the recent increase in grazing fees imposed by the last administration.

First, we would oppose any drastic changes in the administration of public lands until the Public Land Law Review Commission has had a chance to report to Congress their recommendations. It was our understanding that the reason for spending millions of dollars on the Commission was to recommend the changes that should be made.

We would like to challenge the decision of the Department for omitting the permit value from the 1966 grazing fee study that we, the stockmen, agreed to go along with the Government. I refer you gentlemen back to the reasons for the Taylor Grazing Act of 1934. One of them being to stabilize the livestock business and also to stabilize the small communities that are so numerous in the western states. You gentlemen should keep in mind that the Government owns the big percentage of the land in the West. The county that I live in is 78 percent federally owned. This makes a very narrow tax base, therefore, placing the tax burden on a small number of landowners. There is one paragraph in the Taylor Grazing Act that states that "There shall be a reasonable grazing fee charged, but the first consideration should be, what effect the amount of fee would have on the economic impact of the permittee and the community."

In my opinion, this new, unreasonable grazing fee will have a drastic economic impact. It will hurt all permittees, especially the small ones. It will cause many family ranches to sell out to larger corporations. It being a forced sale, the real estate value will be down considerably. We need all these families in our counties to make our communities; we have a place in this society and a responsibility to maintain the schools and county government. We have to use these Federal lands in order to do this. Therefore, the permit has a value. History is very clear on such matters. Whenever ownership of the land falls into the hands of a few, prosperity and independence disappear from the country, and, not only for ranchers but for everyone. Also, we have spent thousands of dollars on the Federal lands as well as on our base property that our permit is based.

In my opinion, the Interior Department of the last administration has placed the Government in a position with the individual landowner to receive a fair market price for their resource. The difference is that the individual landowner has to pay taxes out of his revenue and the Government does not.

We have been told by both Departments that the Bureau of the Budget are the people who insisted the grazing fees be upgraded to a fair market price. We are agreeable to pay the price if the permit value is included. What I do not agree with is their idea that they should take one user group that uses the public land and make them pay for all the improvements on these lands. We have adopted the multiple use concept, in fact, we were practicing multiple use for years before the Government adopted it. I have read articles in magazines, written by some individuals, stating that we stole the land in the West and that the Government has been subsidizing the stockmen. These statements are false. These people never give the stock-

men credit for the wildlife we feed, water, and salt. The Oregon Game Commission will tell you that the deer and antelope use the private land 55 to 60 percent of the time.

To conclude my statement, I would like to say the livestock business today does not warrant the increased grazing fees unless the permit value is recognized. Gentlemen, I thank you for the opportunity to make this statement to your committee.

Mr. BARING. Thank you very much, gentlemen.

The next witness is Lee Barton, president, and Newell Johnson, immediate past president, Utah Wool Growers Association.

They do not seem to be here.

Without objection their statements will be placed at this point in the record when received.

(The statement follow:)

STATEMENT OF LEE R. BARTON, PRESIDENT, UTAH WOOL GROWERS' ASSOCIATION

I am submitting this statement on behalf of the sheep industry of the State of Utah. I appreciate very much this opportunity.

The raising of grazing fees constitutes a severe threat to the livestock industry of the public land states. We as livestock permittees feel that this is most unjust.

Our forefathers moved into the public land states and developed a livestock industry. The economy of the area is absolutely dependent upon the use of these public lands both at the time of our forefathers and today. Now we find through the recent implementation of the grazing fee increases, it threatens to destroy our only real basic industry in our rural areas of the public land states.

Our rural area population has been dwindling to the cities over many years and if we lose our livestock industry through excess grazing fees we in the rural areas will find ourselves on the welfare lists of the nation.

Today with all the urban problems it just doesn't make sense to me to force more of the rural population into the cities to further magnify the problem.

County commissioners, school board members, city governments and state governments are taking a good hard look at this very thing. They are beginning to wonder just where they are going to find the money to operate schools, government, and the many other services if the livestock industry is jeopardized.

In my state we are in the four corners area. At the very time when the government has determined this area to be one of poverty and anticipates the spending of millions of dollars, the grazing fee hike has been implemented—and if allowed to go any higher will result in the mass liquidation of the livestock business.

Concern has been registered not only by our taxing units but also by all of the financial concerns of our county and our state. Records indicate that the return on investments ranges from one (1) to three (3) percent. This speaks for itself and certainly indicates the results of a raise can do nothing but jeopardize the industry.

I hope that I have in some way pointed out the need to stop the unnecessary raise in grazing fees. Studies made by competent universities have indicated it is not necessary for grazing fees to go higher; and I hope that you will give full consideration to this very grave matter and stop what could be a mass liquidation of the livestock business in the public land states.

STATEMENT OF NEWELL JOHNSON, IMMEDIATE PAST PRESIDENT, UTAH WOOL GROWERS' ASSOCIATION

Mr. Chairman and Members of the Committee: It is a privilege to submit testimony to such a distinguished Committee on such an important issue as grazing fees and their consequent effect upon my particular industry.

I am Newell A. Johnson, a resident of Utah. I am the immediate past president of the Utah Wool Growers' Association and am engaged in the age-old and honorable vocation of producing wool and lamb. I am here because of my concern for the industry I represent and for my own future in it.

I began my career in the sheep business in October of 1934, the year the Taylor Grazing Act came into being, by leasing 1000 sheep. I remember well the meeting

I attended in Salt Lake City that fall presided over by Ferre Carpenter who represented the Federal Government. He traced the history of the migration west and stressed the need for orderly use of the great expanses of open range then in existence in the western states. We voted overwhelmingly in favor of federal control and regulation. I remember the emphasis placed on the language of the Taylor Grazing Act explaining as one of its major objectives and purposes, "The stabilizing of the livestock industry." If my memory serves me correctly, the fee for the first year was one cent per head for sheep and five cents per head for cattle. It went from there to 8, 12, 15, 19, 22, 30 cents per animal unit month, then 33 cents and now the contemplated fee, eventually if implemented, will have a base of \$1.23 per AUM with the possibility of another 6 to 10 cents as a result of a forage value index factor.

We, who are in the sheep business in America, are producing commodities that are in short supply. We import two-thirds of the wool we consume. Millions of pounds of lamb and mutton are imported each year with no import quota restrictions whatever.

The bureau of the budget in its quest for all-possible revenue is demanding our life's blood in exchange for grazing privileges on public lands. While at the same time, the departments of State, Commerce and Trade are exerting pressure for reduced tariffs and duties on our products—this in the interest of international public relations. We are in the squeeze between the two and are apparently being sacrificed upon the altar of free trade.

We are receiving for the products of our labors and business, prices essentially comparable to those received twenty years ago—while our costs during the same period have tripled. A recent study undertaken in Utah revealed that the home owner with an average amount of personal property pays approximately 3 percent of his annual net income as property tax, while the farmer or rancher pays approximately 15 percent of his net income for that purpose.

In my own life time, I have invested in excess of \$76,900 in forest and B.L.M. permits and have willingly accepted a 46.7 percent reduction on my B.L.M. license. I have also made a very substantial investment in private ranch property in order to have sufficient base property to qualify for forest and B.L.M. privileges.

It is my contention that if the grazing fee increase is implemented in its entirety it will completely destroy any permit value I may have and will devalue my base ranch property by a very considerable amount.

A recently conducted survey by four western universities on cattle and sheep operations revealed that the average range cattle rancher receives a two percent return on his investment and the average sheep rancher received 2.6 percent. This, I feel sure you will agree, is not what you would call a very handsome profit, especially when your own supervisory labor is thrown in.

I have computed my own grazing fee costs on forest and B.L.M. lands at the present fee level. It amounts to \$3,156.66. At the fully implemented level, it will increase to \$10,265.58, a difference of \$7,108.92.

I assure you, gentlemen, that I cannot possibly absorb this extra cost and remain in the business to which I have devoted my life.

Thank you.

The next witness is Garland Meador, representing Grant County Cattlemen's Association, the Grant County Planning Commission, and the Farm Bureau.

STATEMENT OF GARLAND MEADOR, ON BEHALF OF GRANT COUNTY CATTLEMEN'S ASSOCIATION, GRANT COUNTY PLANNING COMMISSION AND THE FARM BUREAU

Mr. MEADOR. Mr. Chairman, I thought there was going to be another man ahead of me. I did not get my briefcase open. But you have a copy of my testimony already in your hands, so I shall not spend any time reading that.

I would like to make a little comment.

First, I am Garland Meador. I am representing the Grant County, Oreg.—I see you did not have the State part of that on the list here.

There are just a couple of items I will comment about, what is in this paper.

One concerns the reference to what we call the North Side Project. The only comment I will make there that was not included in the written testimony is that this was a project participated in by all the agencies interested in land plus the Wild Life Federation of our State of Oregon and the Izaak Walton League of the State of Oregon, connection with the Oregon Cattlemen's Association, which I happened to be associated with at that time. We started this project on a cooperative basis to see what could be done to eliminate some of this land use problem. We chose in the beginning an area consisting almost entirely of private land.

I would like to relate a little circumstance. We made some disclosures on that area in which we limited the grazing that was conducted thereon. We found that the game use alone was sufficient to take all of the feed that should be taken from the area. The Game Commission reduced the game herd two-thirds. The result was that 12,000 deer are killed annually in Grant County, they still kill 12,000 deer, but the remaining herd, one-third its size in that particular area, had to change in doe to fawn ratio from about 25 percent to about 75 percent. So we were still providing sufficient hunting for the folks that we were able to on the range.

The private landowners reduced their own grazing in the area so that we have been able to make some progress in rehabilitating the area.

Concerning erosion. We had in 1955—I believe that was the year, 1954 or 1955, a flash flood hit the area, erosion was terrific. The flux of this flow of water crossed one of these properties we had isolated and had established a stand of grass on. Inside of this enclosure silt was deposited up to a depth of an inch over that area. The erosion was terrific outside of the area. So much silt was washed into the river that the fish biologist estimated that all the fish life was killed in that river for a distance of 100 miles downstream from where this waterspout hit. Not only did it destroy all these fish, it also silted up those spawning beds for all that distance, so it was several years before they were useful as a spawning area.

I am a little disappointed at some of our national conservation groups taking the attitude they have, because it is hurting our good relations with these people back in our own State. I am sorry this has occurred, because it will take a little doing now to reestablish the fine understanding we had with these groups.

In addition to what testimony I have brought with me here, I also am renter of private land, a lessee of private land, as well as a user of the National Forest. I do a certain amount of real estate business and I sit on the Board of the FHA, Farmers Home Administration. In that connection, I have had a little interest about this loan situation called to my attention.

With that, if there are any question you want to ask me, if I can answer them, I will try.

(The prepared statement follows:)

STATEMENT OF GARLAND MEADOR, FOR GRANT COUNTY CATTLEMEN'S ASSOCIATION,

GRANT COUNTY PLANNING COMMISSION AND THE FARM BUREAU

Grant County, Oregon, is a typical high range country with the private meadows lying down along the shoestring valleys, the next elevation being the privately owned range lands and the higher areas owned by U.S. Forest Service.

The meadow areas along the streams are used to produce hay for winter feed and the private ranges for spring and fall grazing. The U.S. Forest lands are used for summer grazing.

Big game move down onto private lands for grazing in the fall, winter and spring months. Most of the deer spend at least six months of the year on private lands and some remain as permanent residents on these areas.

GRAZING FEE EFFECTS ON PERMITTEES

The increase in grazing fees on Federal lands will have a sizeable economic effect on permittees and the County as a whole. Since permits to graze livestock on U.S. Forest Service administered lands have acquired value over a period of time in competitive grazing markets and since most permittees have not only paid the set grazing fee but additional fees for improving their allotments, and these improvements have benefitted other resources beside domestic livestock grazing, the increase in fees will result in both income and capital losses for permittees. Fee increases will also have an adverse effect on the income of local business and other segments of society.

A raise in fees adds another cost to permit holders that are already suffering from a cost price squeeze. Many operators have been showing a loss on their operation for the past five years. Even the best operators have shown only a 2 percent return on their investment.

GRANT COUNTY GRAZING FEE COSTS AND RETURNS

A nation wide uniform increase in grazing fees is not realistic due to too many variable factors that need to be considered. These variables exist between private and public lands and within the public lands. Some of these variables include the following:

1. The topography of the area
2. The amount of brush or thicket cover
3. The cost of noxious and poisonous plant control
4. The loss of animals from poisonous plants
5. The distance between the range and home base
6. The variation in forage values and quantity
7. The use of forage by big game
8. The added costs created by hunters and other recreationists
9. The costs of range improvements that are shared by permittees and the U.S. Forest.

We submit two examples of allotment costs that will bring out these variables:

WOLF MOUNTAIN ALLOTMENT COSTS FOR 1968—EXAMPLE—A HIGH GRANT COUNTY COST

June 1 to Sept. 30	Cost or other basis	Animal unit month cost
Annual capacity marketing value of permit.....	\$200.00	\$3.00
Loss of animals.....	425.00	.50
Lease rate.....		
Association fees.....		
Moving livestock to and from.....	754.00	.88
Veterinary.....		
Herding.....	1,625.00	1.91
Salting.....		.01
Driving to and from allotment.....	520.00	.61
Hourses @ \$1/day.....	600.00	.74
Water.....		
Fence maintenance.....	85.00	.01
Water maintenance.....	85.00	.01
Development costs.....		
Other costs.....	85.00	.01
Total.....		8.31

Additional expenses for the year 1969 include 5½ miles of new fence that will cost in excess of \$700 per mile (U.S. Forest Service estimates). The permittee will put up half the cost of fence on this 300 animal unit allotment.

SULLENS ALLOTMENT COSTS FOR 1968—EXAMPLE—A LOW GRANT COUNTY COST

	Animal unit month
Lost animals.....	\$0.40
Association fees.....	.05
Moving in.....	.36
Moving out.....	1.00
Herdling and maintenance.....	1.33
Salting.....	.30
Driving to and from.....	.60
Miscellaneous costs.....	.25
	3.89
Depreciations.....	.60
Total.....	4.49

Fee increases will decrease the amount of money the rancher will have to pay for improvements on his allotment which in turn will decrease the overall amount of forage produced for both domestic stock and wildlife. The amounts paid by ranchers for improvements on the Malheur National Forest lands has been substantial in the past 20 years. For example, a range improvement project on the Lemcke permit in Bear Valley cost a total of \$52,000. Of this, \$34,000 was paid by Federal funds and \$18,000 by private funds. There are 2,400 AUM's involved so the post per AUM was \$22.50. These improvements will in time increase the pounds of beef produced and forage benefits to big game and benefits to the watershed and other resources.

BIG GAME A COST TO THE PRIVATE OPERATOR

The matter of big game use of private property, especially during the fall, winter and spring months and in some areas even year long, should not be overlooked. This causes a tremendous annual loss to ranchers and, in most cases, the same ranchers that have U.S. Forest permits. The famous Northside Winter Deer Studies here in this County has pointed out that deer have actually taken all of the annual forage production that should be used for good range management on a sizable share of this area. Deer enclosure areas were used as check areas to show the actual use by deer which ran from 37.5 to 64.4 percent. The average total herbage used by deer before cattle were turned on ran 31 percent.

Plots were established to determine grass recovery after deer use. They showed that there was only 6.4 percent recovery.

The deer hunting in Grant County supplies recreation far in excess of 20,000 hunters annually. Statistics that there are around 12,000 deer harvested annually or a 60 percent success ratio. Most of these deer get at least 6 months of their annual feed from privately owned lands. Thus, the private land owners contribute heavily to this recreational resource.

CAPITALIZED PERMIT VALUES

The disposition of the capitalized permit value will be a real blow to the stability of the ranch economy and will also again affect the local economy. The increased cost (fee increase) without returns to grazing will leave the permittee in a much weaker position to pay off his mortgages. A loss of permit value will leave many permittees with an outstanding debt for an asset that no longer exists. Loss of these permit values will also affect property values since these permit values have been considered as part of the overall value of a ranch. They have been bought and sold with the cattle or the ranch for years. This will in turn lower the tax value of ranches with permits thereby affecting the tax base of all properties.

The fee increase along with the disposition of the capitalized permit value will create such extreme economic situations that many permittees will be forced out of business and this also disrupts the stability of one of the two major economic segments of the County.

ECONOMIC EFFECT ON THE LOCAL ECONOMY

Proof of permit values

To show proof the U.S. Forest grazing permits actually have a value we submit the following:

1. The sale of a permit by Oxbow Ranch to Bob Carter for the sum of \$150 per cow unit for a 4 month period.

2. The sale of a permit for 40 animal units for \$200 per animal unit by Bob Sproul to Tony Tirico.

3. U.S. Forest permits have been sold at the rate of 5% per year as far back as figures were available.

4. We also find that the Grant County Assessor uses figures from \$150 to \$200 as the value of a permit when a ranch sale is made that includes a forest permit.

5. The Internal Revenue service, a branch of the Federal government, has also set a value for a U.S. Forest permit. A good example of this is the ranch division by gift of R. J. Stanbro of Prairie City to his children. The Internal Revenue service figured a value of \$150 per animal unit plus \$200 for the cow that went along with the permit in figuring the gift tax.

6. The Farm and Home Administration has made loans in the county for the purchase of U.S. Forest permits with waivers issued by the Forest Service.

7. Other lending agencies have recognized the value of the permit and made substantial loans to permittees allowing the value as collateral. Private lending institutions are also issued waivers by the Forest Service, another indication of their recognition of value.

8. Commensurability requirement is further evidence of value. The permittee must have sufficient control of land, water and other feed resources for cattle during that part of the year when they are not on the allotment to qualify for the permit. This would be a consideration.

9. Permittees should be granted the same leasehold interests that are granted by the U.S. Forest Service to recreationists such as are now in existence at the Mt. Hood Lodge and the recreation area at the head of the Metolius River. These are a 99 year lease.

As for the economic effect this would have on the local economy, we would like to present a few facts taken from a study entitled "Effects of Selected Changes in Federal Land Use On a Rural Economy" an interindustry analysis by Don Bromley, C. E. Blanch and H. H. Stoevener, Department of Agricultural Economics, Oregon State University, Corvallis, Oregon.

This survey points out the economic significance of public land management in areas of grazing and lumber production to the local economy of Grant County.

To illustrate the relative importance of these two uses, a mathematical technique was used to qualify the economic interdependence of all business activities in this Eastern Oregon County. In addition to a description of the existing situation, changes in magnitude of grazing and logging use in the County were simulated to illustrate likely impacts on the local economy.

This report brings out that agriculture is primarily livestock oriented with 86 percent of the total agricultural sales during 1964 coming from cattle and calves. These sales are directly related back to range forage production from private and publicly owned lands which are predominantly U.S. Forest administered.

In 1964, the dependent ranchers (permittees) sector generated over \$3 million worth of new money in the County (value of exports) while the lumber sector brought in \$12 million. These two activities accounted for 75 percent of the new money brought into the County in 1964.

The \$5 million spent by dependent ranches and lumber sectors accounted for 57 percent of the total spent by all businesses in the County for the purchases of necessary goods and services.

This report brings out that these monies turn over several times so all segments of the economy were affected.

A reduction or an increase in Federal grazing can seriously affect the overall economy. For example, the report shows that a 20 percent reduction in Federal grazing has been estimated to cause an 11 percent decrease in gross ranch income. The estimated reduction is \$399,578. Because of the interdependence, the original reduction in the ranching sector is increased to \$404,691 as firms in the County now buy less from the dependent rancher sector.

The total expected loss in business receipts for the other 13 sectors in the County is \$219,048. Thus, the reduction in the dependent ranches sector, plus this reduction in the other 13 sectors, brings the total reduction in business receipts to \$623,739.

Household (amount paid to house holders for labor and management services, dividends and interest) would fall \$40,499 with a gross receipt reduction of \$404,691 to the dependent ranchers from a 20 percent reduction in Federal grazing. This would also show a loss of \$32,375 to householders outside the dependent rancher sector due to the multiplier effect. This then results in a total of \$72,844 to household incomes.

An increase in grazing fees can and will have a similar effect. On the other hand, an increase in returns from Federal grazing through improved forage production would show a like effect on the profit side of the ledger for all concerned.

A stabilized Federal grazing program, where permittees and Federal land managers cooperate in economically sound range management practices, will bring about these desired economic results.

RESOURCE ANALYSIS AND ECONOMICS

The Grant County Planning Commission with the cooperation of local ranchers, business men and all Federal and local agencies have just completed (1969) an analysis of all the major resources in the County. This analysis covered both public and private lands and shows some tremendous potential for improving the economy and general welfare of the County. It also points out there is a great deal of correlation or joint benefits through developing these resources. The range analysis, for example, shows a potential increase in annual income to ranchers alone of \$4.4 million. There would also be a tremendous favorable benefit to big game and would materially improve watersheds by allowing more of the annual precipitation to enter the soil to come out later which would cause streams to hold their flows much later in the season. This in turn would benefit fish life, irrigation and downstream water users. It would cut down erosion and the consequent serious sediment problems.

The Grant County Resources Analysis points out that the development of our resources, especially the range resources on our Federal lands, would return far more to the Federal budget than an increase in grazing fees. Past results in getting resources developments established on the ground strongly dictates the need for having these accomplishments locally oriented.

Another relation between range improvement and other resources is the timber thicket problem area. The analysis report shows in excess of 400,000 acres of timber thickets that are not producing commercial timber and producing little, if any, forage for domestic livestock or big game. The increase in forage production alone has been estimated at \$1.1 million. It has also been calculated that every 16,500 acres thinned, an increase in the annual timber production rate of one million board feet would result. This would mean an additional annual income of \$360,000 and again would result in benefits to other resources such as an improvement of these areas from a watershed standpoint and this would again affect downstream irrigation, fish, etc.

CONCLUSIONS AND RECOMMENDATIONS

The afore mentioned facts brought about through resource analysis and studies have brought the Grant County Planning Commission, the Grant County Farm Bureau and the Grant County Stockgrowers to make the following conclusions and recommendations.

1. The nation-wide uniform increase in grazing fees is not realistic. All costs and returns from an AUM should be considered along with the many other related resources. Contribution to range and related resources should be considered including private land contributions to big game.
2. The effect on permittees related resources and the local economy is certainly worthy of full consideration and should be studied further before imposing fee increases and decapitalization of permits on permittees and the local economy.
3. The county shows a population decrease. The 1965 population is only 82% of the peak period shown in 1954. The population loss has been due to dwindling economy. It can not stand a further reduction that would be brought about by a grazing fee increase and the decapitalization of permits.

4. County wide resources analysis and planning have brought out
 - a. The need for more detailed analysis in order to:
 - (1) consider all resources and get the optimum return from each.
 - (2) develop cost benefit ratios in order to be able to prorate cost in line with each of the resource benefits.
 - (3) determine the expenditures needed to develop all of the resources.
 - b. The need for local involvement in these resource developments in order to:
 - (1) get complete cooperation from all of those that will be benefiting from these developments.
 - (2) develop a local economic stability through complete involvement of those that will be affected.
 - (3) get inter-agency and rancher cooperation on study and development projects; such as now going on in the Murderers Creek project. This project is set up to determine cost and returns to the rancher and the public. The effect on ranch stability and the effects on range land productivity, effect on other uses of the public and private lands, including wildlife, recreation and water production.
 - (4) the local public land administration users and the general public understands the interrelationship of grazing to local economics and to other uses of public lands. We recommend that decisions affecting public land grazing in the county be left up to local administrators and grazing advisory boards.

REFERENCE MATERIAL USED FOR THIS PRESENTATION

Grant County Planning Commission Range Report
 Grant County Planning Commission Forestry Report
 Grant County Planning Commission Water Report
 Grant County Planning Commission Recreation Report
 The Northside Winter Deer Range Study

"Effects of Selected Changes in Federal Land Use On a Rural Economy";
 D. W. Bromley, G. E. Blanch, and H. H. Stoevener (1968)

GRANT COUNTY, OREGON, GRAZING FEE SUPPLEMENT, BIG GAME FORAGE RELATIONS

RANGE HISTORY

Use of rangeland

At the turn of the century, the hills of Grant County were already seeing considerable use by domestic livestock. At this time, cattle were run primarily for their hides. In later years, the primary concern was in numbers of cattle with little thought to what effect cattle numbers were having on the range forage.

The present day operator must fully consider the pounds of beef or lamb he can produce and the cost of the production. The greatest need, then, is for improved forage cover not only for more economical meat production but to meet the many needs of related resources including deer, watersheds, etc.

Early records show very few deer existing in the county. The first white man found only white tail deer along the river and creek bottoms. Mule deer numbers built up rapidly starting in the early 1920's. By the middle 30's they were built up to where they starved to death by the thousands on the lower elevations or deer wintering areas. This situation continued until the late 50's. The deer were competing with domestic livestock for the available forage on the lower elevation ranges which further aggravated the range condition.

Juniper and tree thickets cause reduction in forage

The over-use of the range, both private and public, in the early 1900's played a big part in starting the invasion of juniper and timber thickets that contribute heavily to the downward trend in forage production today for both domestic livestock and big game. Destroying the forage cover reduced the competition giving these tree species a chance to take hold. Fire prevention has also given the various tree species a chance to take over the land.

Agency and rancher cooperation

Past experiences here in Grant County clearly show that the answer to range and other resource developments lies in the cooperation of land users, adminis-

trators of public lands, and the other agencies intersted in various phases of resource development and conservation.

Ranchers, businessmen and the various agencies have worked closely together in gathering facts. Through development trials and surveys, all available research results that apply to the area have been studied and put into at least trial use, needed research has been promoted and as progress has been made, it has pointed the way for even further needs, especially in the way of research.

Established projects in range, timber and watershed management have pointed up the need for an all out push in this direction in order to stabilize the economy of the area.

NORTHSIDE RESOURCE DEVELOPMENT PROJECT

This project started back in 1950 and involves an area of 165,000 acres laying North of the Main Fork of the John Day River. The lower elevations are privately owned and the higher elevations are National Forest Lands.

In the beginning, this project was called the Northside Deer Problem Area. Deer were the major focus. As this project developed, it became obvious that all the resources were involved and needed attention. The name was changed to Northside Resource Development Project.

Deer numbers had increased beyond the available winter feed and were competing heavily with domestic stock. Deer production was terrible. Fall surveys made showed only 39 fawns per 100 does, most of the fawns being weaker and less able to compete for what forage there was were the first to die. With only bucks being legal game at that time, harvests were poor.

Study plots established throughout the area showed that the deer were taking from 31-48.5 percent of the forage and only 6 percent of the grass was recovering or growing back after the deer left the area. Erosion was severe throughout the area.

A cooperative effort by ranchers and agency people

Up to 1950, the Game Commission had based their regulations as far as numbers were concerned on land owner tolerance with little, if any, attention to the range forage situation. Ranchers in the area tended to compete with the deer by taking as much forage as possible by domestic stock. The range and relationships were both deteriorating very rapidly.

A move was started by the County Extension Agent and a group of ranchers to initiate a change in this situation. Tours were arranged first to get Game Commission, ranchers and sportsmen as well as various agency people to look the area over to see the problem, discuss the situation and start plans for improvements.

Inter-agency group setup

Plans were developed for more detailed surveys to determine deer use and trends, range conditions and potentials, and forage demonstrations and trials. Plans were made to establish special deer hunting season to determine the effect on deer production and forage trends.

This resulted in the formation of an Inter-Agency group that has continued and worked together on many other projects.

Since it was determined that the best brains possible should be used in studying this resource development, a technical action panel was established. This panel consisted of the top range people from the following agencies to work with ranchers and the local agency people:

- Oregon State University Range Department
- Oregon State Game Commission
- U.S. Forest Service
- Bureau of Land Management
- Soil Conservation Service

A sample survey was made of the area. The first row running north and south of Sections in each township were used as the sample area. The above mentioned technical action panel made this survey. Applying this sample survey to the entire area in brief the following range conditions were found:

5% of the area was in good condition (producing from 50-70% of what it originally produced)

22% was in fair condition (producing 25-50% of what it originally produced)

72% was in poor condition (producing less than 25% of what it originally produced)

Other facts such as acres of reseedable ground, etc. was recorded and mapped.

The survey showed a forage production of 12,097 animal unit months of feed and a potential of at least 36,242 animal unit months of feed. (An animal unit month of feed is the forage needed for a mature cow for one month).

Deer trend counts were studied along with an aerial count. An estimated 6,000 deer were using the area. Using a figure of 5 deer for 1 cow for a 5 month period (many years deer are on the area for 6 months or more) the panel came up with 6,000 animal unit months of feed being used by deer.

A survey of cattle use showed 11,975 animal unit months of feed used by cattle or a total use of 17,975 animal unit months. With a production of 12,097 animal unit months, the over-use was verified.

Plot and demonstration seedings were established through rancher and inter-agency cooperation. Various systems of juniper eradication and seedbed preparation have been demonstrated as they were developed.

The seedings have shown :

1. The potential for increased forage production for both domestic and big game
2. How this forage production could be best used by both domestic and big game
3. What effect a good forage cover can have on preventing erosion
4. How it would improve the area as a water shed.

A cloud burst hit one of these seedings three years after establishment that emphasized the watershed and erosion benefits. Two inches of rain fell in 30 minutes. 97% of this moisture went into the soil in the seeded areas and only 10% went into the soil in the unimproved areas. Two to three inches of soil was lost in the unimproved areas and soil actually build up in the seeded plots due to sediment being deposited as it washed down across the plots from the unimproved areas above.

The sediment from this storm, according to the State Game Biologist, killed all of the fish in the John Day River for at least 100 miles downstream from where the sediment loaded streams entered the River.

Seeded areas have increased the production on given areas from 50-70 pounds of airdry forage per acre to from 700-1500 pounds of airdry forage per acre.

Forage use by wildlife and cattle

Since this project was started forage studies on this area and also on the Bridge Creek Flats near Ukiah, Oregon, have shown that both deer and elk will use grass (especially wheatgrass species) during the critical winter season much more efficiently if it has been cropped down by cattle. Using grass early by cattle and getting off while there is still moisture in the soil, causes the grass plant to produce vegetative or leaf growth rather than stemmy salks. This vegetative growth holds it's nutrients better and therefore is more palatable and nutritious during the winter months for both deer and elk.

This systems works especially well with the wheatgrass varieties such as crested and pubescent. A system of rotating this early spring use from year to year also maintains good grass vigor which means earlier spring growth.

The big problem lies in getting these seedings done in large enough volumes to overcome the concentrations of big game. Benefits other than added feed for domestic stock need to be considered and arrangements made for sharing in the costs of these range improvement projects.

Cost benefit ratios need to be studied and used in future resource development projects.

MURDERERS CREEK PROJECT

The most recent undertaking of the Inter Agency Group has been a complete resource study of the Murderers Creek drainage. This area was selected for study because it involved an entire watershed and has all of the resource problems and potentials that exist in many other areas in this and other counties. It also involves private, Bureau of Land Management and U.S. Forest Service lands. The private land owners all lease BLM Section 15 lands and have U.S. Forest Service permits in the watershed.

A complete resource analysis is nearing completion. This project will make it possible to study the year-long forage needs of a given operator. Development projects are underway which will include the following practices:

1. Range seeding
2. Fencing for better livestock distribution and to make it possible to correlate grazing use and season of use with deer.

3. Juniper control and seeding

4. Timber thinning for increased timber production, increased forage production and to improve the area as a watershed.

This unit study will make it possible to further study the inter-relationship of several different resources.

It will also be of real help in studying cost and benefits which will make it possible to arrive at cost-benefit ratios. This information is needed in order to be able to prorate costs to the benefits desired.

Many projects will be feasible where this kind of approach is used and those benefitting pay their share, including the general public.

This project will also help in putting the recent county-wide resource analysis into focus. It will be extremely helpful in developing plans for and in getting resource development projects underway.

Mr. ASPINALL. Mr. Chairman, I have looked through the gentleman's statement. It is a good statement and we like to have the additional comments he made.

Mr. BARING. I have no questions.

Thank you, sir.

Mr. MEADOR. Thank you, sir.

Mr. BARING. Next is Kenneth B. Pomeroy, chief forester of the American Forestry Association.

STATEMENT OF KENNETH B. POMEROY, CHIEF FORESTER, THE AMERICAN FORESTRY ASSOCIATION

Mr. POMEROY. Mr. Chairman, I am Kenneth Pomeroy, chief forester of the American Forestry Association. The association is a citizens organization with members in all 50 States. It occurs to me that it might be helpful to you in evaluating my statement to know for whom I speak.

The central theme of our organization has always been conservation through wise use.

Our membership of some 64,000 people is composed 11 percent physicians and dentists, about 10 percent businessmen, 9 percent professional foresters, the others are a cross section of ordinary, middle-income people across the Nation.

Our people have been concerned about the charging of appropriate fees for grazing for a long, long time, going back to the very beginning of such a program. The problem, however, goes much deeper than deciding how much to charge for grazing one animal for one month on the public land.

Basically, the issue is whether or not a resource belonging to all citizens is a privilege to be granted by sovereign or a right to be exercised, sold, or traded by the user.

Determining what constitutes an appropriate fee is one aspect of the issue.

You have had some excellent testimony on what the permit value consists of. However, tying the Federal permit to a specific ranch with a proviso that the permit is transferable upon sale of the privately owned property has resulted in tacit recognition of a permit value in excess of the actual value of the physical assets of the home ranch. As a consequence, new purchasers of ranch property have become accustomed to paying a premium for ranches associated with Federal grazing permits. The premium, in turn, has an effect upon the new rancher's cost

of operation and upon the rate per head he can afford to pay for grazing his stock upon public land.

This premium, or permit value, is an asset which belongs to all citizens. Allowing a few individuals to capitalize upon it, is, in effect a subsidy.

This brings us to the crux of the problem. If grazing fees for use of Federal land are increased until they become comparable with fees charged for the use of private land of similar productivity, then the asset value of a permit will decline, perhaps to zero. In such a situation, grazing would be properly priced and not underpriced as it has been in the past.

If the Congress decides to roll back the increases in grazing fees announced by the Secretaries of Agriculture and Interior on January 14, 1969, then it will be saying, in effect, that grazers have a vested right to use land that belongs to all citizens.

In the view of the members of the American Forestry Association such use is not a right but a privilege.

The foregoing analysis could give one an impression that the members of the American Forestry Association are an unsympathetic, hardhearted group. This is not so. We recognize that the proposed adjustment in grazing fees is going to create a financial difficulties for some ranchers through no fault of their own. They have been caught up in a sequence of events over which they had no control. If it would alleviate their distress by spreading out the adjustments over a period of 20 years instead of 10 years as planned, we would be agreeable.

Our sole intent is to urge that use of publicly owned land, for whatever purpose, continue to be a privilege beneficial to all citizens and not a right exercised by a few.

(The prepared statement follows:)

STATEMENT OF KENNETH B. POMEROY, CHIEF FORESTER, AMERICAN FORESTRY ASSOCIATION

I am Kenneth B. Pomeroy, Chief Forester of The American Forestry Association. The Association is a citizens organization with members in all 50 states.

The charging of appropriate fees for private use of public land has been of concern to our members for a long, long time. This concern was voiced in an Editorial "The Grazing Lands Must Be Restored" in the September 1962 and January 1969 issues of *American Forests* magazine. The subject was covered again in the Association's 1963 Forest Congress and in its statement of policy entitled *A Conservation Program for American Forestry*.

The problem, however, goes much deeper than deciding how much to charge for grazing one animal for one month on publicly owned land.

Basically the issue is whether or not use of a resource belonging to all citizens is a privilege to be granted by the sovereign or a right to be exercised, sold or traded by the user. Determining what constitutes an appropriate fee is one aspect of the issue.

The present problem stems from the Act of June 4, 1897 (30 Stat. 35) which authorized the Secretary of Agriculture to regulate the use of the forest reserves; and from the Act of June 28, 1934 (48 Stat. 1269) which authorized the Secretary of the Interior to regulate the occupancy and use of Public Grazing Lands. Both Secretaries issued directives that the fees charged should be reasonable. It is this point that is being challenged now.

The present spread between the fees proposed by Federal Administrators and the rates recommended by stockmen is an outgrowth of a system peculiar to the grazing industry. Under this system the acreage of Federal land included in a grazing permit is tied to the number of animals a stockman can support on his home ranch during the non-grazing season. The original purpose of this arrange-

ment was to prevent nomadic operators from taking forage required to support resident ranchers.

Tying the Federal permit to a specific ranch with a proviso that the permit is transferable upon sale of the privately owned property has resulted in tacit recognition of a permit value in excess of the actual value of the physical assets of the home ranch. As a consequence, new purchasers of ranch property have become accustomed to paying a premium for ranches associated with Federal grazing permits. The premium, in turn, has an effect upon the new rancher's cost of operation and upon the rate per head he can afford to pay for grazing his stock upon public land.

This premium, or permit value, is an asset which belongs to all citizens. Allowing a few individuals to capitalize upon it, is, in effect a subsidy.

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If the Congress decides to roll back the increases in grazing fees announced by the Secretaries of Agriculture and Interior on January 14, 1969, then it will be saying, in effect, that grazers have a vested right to use land that belongs to all citizens.

In the view of the members of The American Forestry Association such use is not a right but a privilege.

The foregoing analysis could give one an impression that the members of The American Forestry Association are an unsympathetic, hardhearted group. This is not so. We recognize that the proposed adjustment in grazing fees is going to create financial difficulties for some ranchers through no fault of their own. They have been caught up in a sequence of events over which they had no control. If it would alleviate their distress by spreading out the adjustments over a period of 20 years instead of 10 years as planned, we would be agreeable.

Our sole intent is to urge that use of publicly owned land, for whatever purpose, continue to be a privilege beneficial to all citizens and not a right exercised by a few.

MR. POMEROY. Thank you, sir.

MR. ASPINALL. Mr. Pomeroy, a great many of the timber people of the United States use the Forest Service lands and the Bureau of Land Management lands, they use it with what they call a lease, or a form of a contract, just the same as a permit. Whether it is clear cut or select cutting, the property right that they have is not a fixed proprietary right, it is just a right to do the select cutting and harvesting of timber. What is the difference between that and the right to graze and cut the forage of the ground, which will renew itself, if properly taken care of, a long time before trees will renew themselves, either by natural seeding or planting? What is the difference involved here?

MR. POMEROY. I don't believe there is any basic difference. The difference is in the method of harvesting.

MR. ASPINALL. I think this is probably true, but the difference between fees and leaser—if one of your lessees gets a lease, he can borrow money on that. He has an inchoate right, although he does not have a proprietary right.

MR. POMEROY. There is a problem involved here that has far-reaching implications. There were bills before the Congress last year and there will be again this year concerning the possessory interest of the people who have summer homes on national forest lands. In a way, this is the same type of thing, because what these summer home people want to do is to get a color of title so they can go to the bank and borrow money on it.

Mr. ASPINALL. All they are after, of course, is some kind of a right for a certain term of years on which they can do business, whether it is building a home or building a cottage or a camp, just to have a good time. You will have to come up with some facts. If you want to send me a statement going more clearly into this than you have in your own statement, to show the differences, I would appreciate it. I would appreciate it for the record.

Mr. POMEROY. We shall think on it. Perhaps I cannot answer your question, but I will try.

Mr. ASPINALL. You have always been a pretty good cooperater and if you can't you will tell me so.

Mr. POMEROY. Thank you.

Mr. BARING. Thank you, Mr. Pomeroy.

(Information from Mr. Pomeroy follows:)

THE AMERICAN FORESTRY ASSOCIATION,
Washington, D.C., March 13, 1969.

Hon. WAYNE N. ASPINALL,
*Chairman, Committee on Interior and Insular Affairs,
House of Representatives Office Building, Washington, D.C.*

DEAR MR. ASPINALL: It is very gracious of you to invite me to submit additional information in support of my oral and written testimony of March 5 on the subject of grazing fees before the Public Lands Sub-Committee.

The first question was "what is the difference between a timber contract to cut trees and the right to graze and cut forage?"

I responded that basically they were the same in that users were harvesting public resources but that the methods were different. It is this latter point that needs clarification.

Stumpage prices for timber are arrived at by competitive bidding following appraisal of each individual tract.

Grazing fees on Forest Service and BLM lands are arrived at by negotiation. On certain Indian reservations in Montana, North Dakota, South Dakota and Oregon, fees for non-Indians are determined by competitive bidding and are considerably higher than on nearby BLM and Forest Service lands.

The second question pertained to possessory interest bills sponsored by summer home permittees.

HR 11370 by Mr. McMillan in the 90th Congress provided "that whenever an area of national forest land upon which a summer or recreation-type residence was constructed and is being maintained under a permit for public use or other purposes and the permit therefor is either terminated or not renewed or extended, the Secretary of Agriculture shall * * * compensate the permittee for the reasonable cost of moving the buildings * * *"

HR 900 by Mr. Sisk in the 91st Congress states: "That any person who has prior to the date of enactment of the Act acquired or constructed * * * pursuant to any permit issued by the Secretary of Agriculture, any structure, fixture or improvement of any national forest lands shall have a possessory interest therein * * * Such possessory interest shall not be extinguished by the expiration or other termination of the permit (including failure to renew or extend) and may not be taken for public use without just compensation."

We consider these proposals to be an invasion of the right of the general public. We shall oppose them vigorously as we have in the past. A copy of our April, 1967 view of this subject is enclosed.

Thank you for your many courtesies.

Sincerely yours,

KENNETH B. POMEROY, *Chief Forester.*

A \$1 BILLION MISTAKE

(By Kenneth B. Pomeroy)

Would you give a tenant a possessory interest in your land if such action was solely for the tenant's benefit? Should users of public land be given such an interest, one that will establish a \$1 billion precedent?

Three holders of special use permits on the Stanislaus National Forest in California think the federal government should give them such a right. Two thousand other summer home permittees are supporting this raid on the public lands by forming an association and pushing the claim in Congress.

Eight Congressmen have introduced a proposal, H.R. 740 and related bills, "that any person who * * * acquires or constructs * * * any structure, fixture or improvement on any national forest lands shall have a possessory interest therein * * * Such possessory interest shall not be extinguished by the expiration or other termination of the permit (including failure to renew or extend) and may not be taken for public use without just compensation * * * just compensation shall be the amount equal to the sound value of such structure, fixture, or improvement at the time of taking by the United States. * * *"

At this writing there is no companion bill in the Senate.

If this proposal becomes law, it will establish a precedent for 63,000 permits covering 80 different uses of national forest land. Permittees have constructed improvements valued at \$1 billion on these tracts.

How did this situation come about?

The Act of March 4, 1915 (16 U.S.C. 497) authorized the Secretary of Agriculture "to permit the use and occupancy of suitable areas of land within the national forests, not exceeding five acres and for periods not exceeding thirty years, for the purpose of constructing and maintaining summer homes. * * *" This authority "shall be exercised in such manner as not to preclude the general public from full enjoyment of the natural, scenic, recreational, and other aspects of the national forests."

In 1917 the Forest Service began to issue permits for summer homes in the Pinecrest Recreation Area. These were annual permits. Apparently there was a mutual understanding, not confirmed in writing that the permits would be renewed as long as the land was not needed for a higher public use, provided permittees fulfilled the terms of their permits.

By 1938 special use permits for 394 summer home sites had been issued. Each permit authorized occupancy of about one-half acre. A community with roads, stores, and a water system developed. Permittees assessed themselves over \$511,000 for construction of improvements. Other assistance was provided by the County and by the Federal government through the work of Civilian Conservation Corps enrollees.

The permittees paid property taxes to local authorities on the value of their improvements but leased the land from the United States at nominal rates. Annual fees of \$20 to \$25 per permit were increased to \$80 annually during a re-evaluation in 1962.

The total number of permits (394) remained about the same from year to year. But the identity of individual permittees changed as people sold their interests in improvements. Each new owner had to obtain a revised permit from the Forest Service, a permit that specifically stated that it could be terminated at the discretion of the Chief of the Forest Service.

During the period 1948-1950 most of the Pinecrest authorizations were changed from annual permits to 20-year term permits so that the permittees might be assured of occupancy for a stated term.

About this time Forest Service personnel noted that expanding recreation use soon would tax campground and beach facilities. Administrators either would have to (a) restrict public use of public lands, or (b) remove conflicting private-privilege use enjoyed by a few summer home permittees so that areas in heavy demand could be available for public use. The second alternative was selected as the best means of providing the "greatest good for the largest number in the long run."

Accordingly, in 1950, sixteen summer home permittees, occupying a key section on Pinecrest Lake received permits for only a 12-year period. Each permittee agreed, when he signed his permit, that he would remove all structures upon expiration of the permit. At the same time the Forest Service agreed that if the public interest necessitated earlier termination, the government would purchase the improvements or pay for their removal.

Prior to 1962 the Forest Service gave these 16 permittees an opportunity to obtain lots in another area at Pinecrest. Assignments were made following a random drawing of lot numbers. Eleven permittees accepted new lots and moved at their own expense. Two permittees had their permits terminated for reasons

not associated with this problem. The remaining three permittees accepted "in lieu" lots but did not move. Instead they asked their Congressman to help them obtain a possessory interest in public land.

The Secretary of Agriculture allowed them to remain in possession while he explored all aspects of their problem. Early in 1966 the Secretary informed these permittees that they had no case and would have to move. In September 1966 two permittees moved their cabins to the in lieu lots they had retained since 1962. The final permittee sold his interest to someone who wanted his in lieu lot. The purchaser promptly tore down the former occupant's cabin. The Pinecrest Home Owners Association began at the same time to clean up and restore all three lots for other public use.

Much has been said about customs born of long usage. But the three recalcitrant permittees were comparative newcomers. One took his permit in 1950. The other two bought the improvements of others since 1961 and received amended permits at that time. All three knew of the impending termination date.

A check of Forest Service records shows that during the course of time 375 other permittees in other areas across the nation have moved at their own expense when their permits terminated.

Therefore, I repeat, why should three newcomers receive preferential treatment, treatment that could establish a \$1 billion precedent?

The Congressional spokesman for the group says his bill is being modelled after the Concessionaire Act (Public Law 89-249) that applies to national parks. There is a difference, however. It is in the public interest to have concessionaires construct lodges and other service facilities in or adjacent to national parks. Some of these structures are expensive. In order to borrow money from banks for construction, the concessionaire must have some color of legal title.

The summer home permittee is seeking a concession from the government for his own private interest.

If you have an opinion on this subject, let your Representative or Senator in Congress know how you feel about it. The Honorable W. R. Poage, Chairman of the House Committee on Agriculture will receive testimony when a hearing is held.

Mr. BARING. The next witness is Dewey Anderson, treasurer, Citizens Committees on Natural Resources.

Mr. ASPINALL. Long-time friend of the Chairman.

Mr. BARING. Also I have known Mr. Anderson for some time myself.

STATEMENT OF DEWEY ANDERSON, TREASURER, CITIZENS COMMITTEES ON NATURAL RESOURCES

Mr. ANDERSON. Mr. Chairman, I do not intend at this late hour to burden the committee with the reading of the long statement which is before you. I am sure you and your staff will have a chance to go over it and take exception where you think exception is due and agree where that follows.

This statement is a statement of the Citizens Committee on Natural Resources. This was formed, as you know, back in 1934. It is a sort of holding company in the legislative field for a number of leaders in the conservation movement who, themselves, represent other agencies. Some of you were present last evening when one of our main constituents held a banquet that was attended by over 1,200 of us, an indication of the kind of widespread relationships we have.

I do not want to burden this particular moment with a long reading of the Citizens Committee's report, but I do want to add another experience of mine. I am both a cattle operator and at least an practicing economist who has done considerable work in the field that is before you—with observations that are new in content, because I do not want to take time to repeat what has been said before.

I move immediately to an observation that I would like to make concerning the new fee schedule. Sam Hughes is one of the best in our business. You treated him as such yesterday. And he kept telling you right along that the fee schedule represented the fair market value of the forage being used. And he repeated a term that we use in statistics all the time. He said this is a valid fair market value—made so by the studies upon which it is based. He did not mention a thing that goes as the other handle to statistical procedure, namely, reliability. I think it is worthy of consideration in this case because the studies have got to be not only valid based upon the definitions used and how they are circumscribed, and then by frequent tests in the field to determine how reliable this set of criteria might turn out to be.

I have not seen the raw data, but I doubt whether it is within the capacity of this committee or of me or of any small group of even qualified economists to review those data and come up with a definite statement such as Arthur Little did, that this is a valid and reliable study. My assumption is, and I have not, as I say, read the raw data, though I have looked them over—my assumption is that Arthur Little about took the definitions as offered and said, “Oh these definitions, the assumption in the fee schedule looks right.”

I only know this, that in the field where I operate—in Mr. Johnson's area—he is my Congressman, he and I were in politics long before he became a Congressman, when I was rather effective in the State of California. He knows and I know that the fee schedule out there is far different in application from the schedule that is now before you. I pay—I graze both on BLM and on Forest Service land. My BLM base right now is 55 cents per animal unit month. I bought pasture last summer and there is practically none available. I bought pasture last summer in order to keep a little group of registered heifers away from everything, and I paid \$5 per animal month for that pasture. The going rate in my area is \$3.50 per animal month. But I call your attention to the fact that the variations are so enormous in this field—you have 3 months in some places, 7 months in some other places. The factor of cost in the grazing operation, as the grazing operation is a factor of cost in total costs, varies so greatly that frankly, gentlemen, I do not think Dr. Louis Benn, who used to sit at the right hand of the Secretary of Agriculture and mesmerize us all with partial correlations, I doubt very much whether a man as expert as he could come up with a single figure and a single rate schedule over a period of time—and note the time factor added in there—which would represent both a valid and a reliable approximation of the market value of grazing forage in the Western States, the 11 Western States.

I gave you my shortcut to it which is my own example of the costs of grazing in my area. I believe the committee could do itself well, because I do not think the resources are within the committee, unless you have more than I think you have, to do de novo the study that has already been made. But I would urge that the committee determine, because I doubt seriously whether the evidence so far offered shows us that any particular body of grazers is going to be put into it only in a hardship class, but be made bankrupt by this additional fee cost in this next fee year.

But the shortcut I would suggest would be to get on some kind of a sample by size of operations the effect of the imposition of the new

fee—let the man determine it for himself and not disclose to you all of his costs—the effect on his total cost of the addition of the fee. If you had that in the record, all of us would know what hardship cases look like. I would urge you to get this.

Now, we talk about capitalizing the grazing permit and I want again to offer some evidence out of my own experience which might be of value. Of course we have been capitalizing the grazing permits and we will continue to do it so long as there is a value in them. And you have been told that until there is an equalizing of the grazing value and the permit value, something which to me is so far in the future I doubt seriously whether it will ever be reached, that we will have an intrinsic equity value in the grazing permit.

I will give you an example. I was offered this last summer, a neighboring rancher's grazing on the forest in a very strategic location, and fine forage. He owns 1,600 acres of private land in the middle of the forest land—it is a meadow. There is a 400-animal permit for the summer on it. He wanted from me \$400,000 cash for his 1,600 acres. Because I had a base operation, I could then petition the Forest Service and in all probability, obtain the right to the 400-cow grazing permit.

This will give you some idea of the going value in a very prosperous area of cattle grazing—the western slope of the Sierras, 40 miles north of our town of Reno—the going value of a permit. How you capitalize it, I do not know. But I know it is there in reality and I know it is something that has to be dealt with over a period of time. Whether it should be in the fee schedule, I leave to you to decide, but I do know it is there as an entity.

I want to discuss very quickly should the fee schedule be abandoned or delayed. You have heard the rationale of the agencies, why they imposed the fee schedule now and why it can't be delayed. I have already received my permits for this year. My cattle will be going up within 2 months. Some are already on the range in some parts of the West. To roll it back now, gentlemen, would be to invite a great deal of difficulty. There is nothing so important at the grazing level as the relationship between the forest ranger and his grazing man and the permittee. He has sat there with authority behind him, the U.S. Government. Remove that authority by a rollback now and I can see a lot of confusion resulting from it.

Mr. BARING. Your time is up, Mr. Anderson.

Mr. ANDERSON. Thank you. I want to just place in the record, because I went over to the office and picked this up—I am not a Johnny-come-lately in this field. I have a study here where we try to modernize the livestock industry by a series of studies, one of which is dated 1957. It is an indication of the same problems that confront us today. This matter of hardship is not a matter of grazing alone, it is a segmented, competitive industry within itself that has not solved its problems.

Mr. BARING. That will be received for the file.

(The document will be found in the files of the committee.)

Mr. ANDERSON. Yes, thank you, I am sorry I did not have more time.

(The prepared statement follows:)

STATEMENT OF CITIZENS COMMITTEE ON NATURAL RESOURCES, SUBMITTED BY DR. SPENCER SMITH, EXECUTIVE SECRETARY AND DR. DEWEY ANDERSON, TREASURER

The Citizens Committee.—Was formed in 1954 so that conservationists could further the interest of all Americans in the preservation, development and appropriate use of the natural resources of this nation. Its officers and board members are listed on this letterhead. That list includes leaders in the field of conservation from many walks of life. The Citizens Committee is the most comprehensive body of resource men and women appearing before the Congress today. Its record has always been in defense and promotion of multiple or specific uses of our natural heritage for the ecological development of our surroundings, to the end that man will improve and not damage them and thereby pass on to posterity a better American outdoors to enjoy and use. The Committee's testimony on this important topic of grazing fees and the grazing structures is offered with this twin purpose in mind.

The Witnesses.—Dr. Spencer Smith is the executive officer of the Citizens Committee. He has appeared often before this and other committees of the Congress. His background on a midwestern farm has given him a practical acquaintance with the problems which this committee is examining, and his training in economics and resources culminating in the Ph.D. degree at the University of Iowa attest a coverage of the economic problems and policies involved. Unfortunately, temporary illness prevents Dr. Smith's appearance today.

Dr. Dewey Anderson is a founding member of the Citizens Committee and a member of its Board and Executive Committee. He is known to members of this legislative committee as the former executive officer of the Temporary National Economic Committee (TNEC) under the able chairmanship of Senator Joseph O'Mahoney and later served in the same capacity in the Senate Small Business Committee under the chairmanship of Senator James E. Murray and vice chairmanship of Senator Kenneth Wherry. Until his recent retirement he was the executive director of the Public Affairs Institute which has worked closely with the Congress over many years. He has been the owner-operator of a Western cattle ranch for over fifteen years and in that capacity has had intimate relationships with both the Forest Service and Bureau of Land Management, for his cattle graze on the lands managed by these agencies. Dr. Anderson presents this testimony in behalf of the Citizens Committee.

The Conservationists' Position.—In summary, supported by evidence and examples offered in the body of this statement, the Citizens Committee on Natural Resources holds:

1. The newly imposed fees for grazing on the public lands are eminently fair, an approximation of the fair market price for such forage.

2. A joint operation and alignment of the two main agencies of the government concerned with grazing, namely, the National Forests and the Bureau of Land Management, one in the Department of Agriculture, the other in the Department of Interior, is a sound approach. It will result in uniformity of fees and can be expected to result in uniformity and improvement of practices in the management and use of the public lands of the nation. A highly commendatory move, long overdue.

3. Refusal on the part of the government agencies to yield to the pressures seeking to fix as a component of the fee schedule and as a "claim" of the rancher the grazing allotment permit capitalization is commended. Conservationists are concerned with the improvement of our natural resources, their conservation, their evolving and changing uses, and their continued ownership in and management by the U.S. Government as custodians of the property of all the people.

4. We see no reason for delay in imposing the new basis for fees, as adequate time and intensive study have already been devoted to this matter. All who wished to be heard have expressed themselves. The new policies and fees are the result of prolonged, careful, impartial and scientific analysis and study by the agencies charged with responsibility for the management of our public lands used for grazing livestock, and for other uses.

5. We believe the new policies, the reiteration of old established ownership of the grazing lands by the government, the fee schedule and its imposition gradually over the next ten years are all in line with the best conservation interests of the nation. We support them.

The Problem Stated.—Ever since the U.S. Forest Service has had a forest land grazing program begun in 1905 and the Bureau of Land Management established

its grazing program in 1934, grazing rules, regulations and fees have been in controversy. For some grazers want "ownership rights" to the lands they graze and fees as low as possible. On both the government has held different views.

There are two major aspects of the problems:

1. A *first* joint attempt to change long-standing methods of determining grazing fees on National Forests by the Department of Agriculture and Federal Lands under the administrative control of the Bureau of Land Management. The "first" has two aspects, namely, the first time that the two federal grazing lands agencies will apply grazing fees on the same basis, and, a new formulation of levying fees over the next ten years to bring them more in line with grazing costs when rental pasturage is obtained from private owners. And,

2. As stated in the Federal Register for January 13, 1969, the new policy:

"* * * precludes a monetary consideration in the fee structure for any permit value that may be capitalized into the permit holders' private ranching operations."

This could have an effect on the taxing system and reporting used by ranchers. But it could be particularly important in offering ranches for sale, and in any event makes clear to all concerned that the federal government does not admit to a legal and inalienable right of the holder of a permit to graze on public lands year-in-and-year-out at any particular level of use because the permittee had included his permit as a tangible element in his ranch ownership and/or operation.

Some Pertinent History.—The first settlers of these lands in the West came to a fenceless public domain. They grazed the grasslands by reason of the "muscle" they could show or the agreements they could make with each other. Homesteads followed, where possible so chosen as to combine the wintering capacity of the homeplace with the free grazing of nearby or adjacent public lands. Much ingenuity and practical horse sense were used by these homesteaders in doing so. For example, my ranch, carved out of the public domain, consists of the homeplace which has substantial capacity to grow hay for winter use. There is a private holding within the national forest of a 160 acres in the bottom of a meadow surrounded by some 1400 acres of Forest land, and there is yet another 160 acres within the Forest which is heavily timbered. Largely, a self-contained "spread". Combined, the carrying capacity of the ranch is much above the year-round capacity of the homeplace. So far as was possible by the combination of public-private ownership and use, the early owners would insure against being dispossessed from grazing lands by government fiat. This has been the historic pattern of western range-ranch development.

Probably two-thirds to three-fourths of the cattle ranches of the West are still in the hands of family descendants of the original homesteaders. But the process of new owners having little or no connection with the past which has established the pattern of operations just described is increasing as city dwellers and corporate groups find the tax, income and profit structures advantageous to their ownership and operation, often as absentee owners-operators of ranch holdings.

In either the continuance of successive generations of owner-operators, or in the attractiveness of such ranches to this newer type of absentee-operators-owners, the ranch is regarded as an "entity", in which its grazing privileges and permits are an integral part.

Whether by the strict methods of modern accounting any considerable number of western stock ranches are "profitable" is a moot and as yet unestablished fact. For to those who have inherited such ranches capital costs, equipment accumulation, stock, fences, layouts and a host of incidental but essential operational factors have not been "capitalized". But they have been taken for granted in the conduct of these ranches, and the grazing rights such ranches have enjoyed have entered into their operations in a substantial but uncanceled way, too. They regard the grazing lands as theirs, attached to their ranches. Hence, attempts to increase grazing fees have been regarded by these pioneers as a further burden. They have enjoyed the subsidy granted by a benevolent Government over the years as a "right" and they naturally look upon any new grazing costs for the use of the land they have come to regard as their own as a rank imposition.

Subsidy has been a "way of life" for many, if not for most of the businesses which have become characteristic of the American economy. We often forget that it is a government, local, state or national, which provides at public expense many of the necessary elements in conducting private business. So it is with the public range used by private ranchers on which to graze their livestock. When that range was free, it was included by the owning rancher in his way of operation

and made a distinct but not detailed or separate contribution to his ability to sell his product. When some charge was made by the Government for the use of same range, that charge became a cost which became a factor in the price of the livestock sold. As a cost when the Federal income tax was levied it was an item in production entering his income tax account. Depending on where he was in terms of taxable income, that cost was a more or less attractive feature to him. But as a "charged-off" item, it affected the government's income. It is such a "cost" as this that helps absentee-owners determine to purchase livestock ranches.

I doubt seriously whether many Western cow-calf outfits, and even more of the sheep spreads, could maintain themselves for long without some substantial grazing use of the public domain and national forest. In a hundred mile stretch along the Eastern side of the northern Sierras, where my ranch is a mid-point, all commercially operated stock ranches are dependent on such connections. There you can see in miniature what is happening to stock raising as the variety of encroachments take over from the free grazing days of two generations ago. And as stiffer management practices are imposed by the government, to a greater or lesser degree the picture presented there is typical of what is taking place throughout the West. Among the characteristics of change are these:

1. Sound range management taking into account the several features of the terrain, must consider forage and its users not only for a single season but for the indefinite future. Thus, carrying capacity is no longer a "guess" but a definable number, given certain tolerable limits. It is subject to change. But the determination which allows inadequately for the views of the permittee must in the end be made and enforced by the defender of the public interest, in this case either the Bureau of Land Management or the Forest Service.

2. Recreational uses of the area take on increasing significance, and sometimes are in direct, or indirect, conflict with the desires and uses of the grazing permittees. In which case a range plan is essential which seeks to accommodate such diverse concerns. Such situations are growing. Once again, the arbiter of these diverse concerns and the administrator of the range plan must be the government agencies charged with the responsibilities of managing the range in the public interest. Here is one area where the conflict of interest is increasing. Here stands out starkly on occasion the fact that recreational interests have been ignored altogether too long so that attention to them now on the part of the federal agencies arouses a natural concern, if not the antagonism, on the part of the grazing permittees.

3. Increased capacity of the range and its consequent better utilization offer very real prospects for easing the pressures between the grazers and the recreational interests. If adequately done over a period of years range improvement programs could possibly halt the trend towards reduction in numbers of livestock using the permitted range. In rare instances, that trend might be altered and some increases allowed. But I know of no range which is blessed with an intensive development program so well financed as to be in this class.

Instead, the budgets provided for such purposes to both the federal agencies here under review are so far below the requests of those responsible for range improvement that in the over-all it is doubtful if range betterment has progressed to the point where any national net increase in carrying capacity has resulted in increased permittee allocations. On the contrary, I do know of instances where the range capacity has been reduced, the season shortened, and in some instances permits have been taken away from or forfeited by long-time users.

4. Other public uses such as development of dams, and other private users under the multiple-use principle which the agencies follow, such as mining generation of electricity, lumbering, road building and summer sites, encroach upon the range so that as these uses grow, the range available for grazing declines or is altered. This trend is noticeable, can be expected to increase and is so regarded by stockmen of my acquaintance. To the end that already a number of the oldtimers are being forced to alter their plans of operation even to the exclusion of the use of the public range in some instances.

The Effect of the Fee Plan and Increases on Livestock Operations.—This new grazing fee plan and the raise in fees does not come with any surprise to the livestock operators involved, despite what some have said about its abruptness and arbitrary character. Both have been "in the wind" for some time now.

One somewhat unexpected surprise has been to see the two agencies, Forest Service in the Department of Agriculture and the Bureau of Land Management in the Department of Interior, acting in concert for once. For in the field, even

under the best of rangers, their operations have had the outward signs of cooperation and understanding, but they have gone their separate ways so far as we ranchers have been able to discern. The effort to bring the policies and administrative practices of these two agencies into alignment is a considerable advance in range management. Its benefits should be felt more and more over the years ahead. But as BLM raises its standards rapidly, some hardship among ranchers is likely to occur.

Specifically, action to establish a "fair market value" of grazing fees is grounded in the published announcement of the Secretaries of Interior and Agriculture of November 14, 1968, in which the two departments followed the instructions contained in the Bureau of the Budget's Circular No. A-25 dated September 23, 1959. The livestock industry and many grazing permittees were well aware so long ago as the 1959 date that some proposal was forthcoming sometime. A two-year field and headquarters study has been underway for at least two years prior to the announcement of the two Department Secretaries.

How intensive the studies were can be gleaned from the report of these Secretaries:

"About 47,000 grazing permits are issued to farmers and ranchers by the two agencies." "The intensive SRS (Statistical Reporting Service of the Department of Agriculture) survey produced data needed to estimate the grazing values on 98 National Forests, 19 National Grasslands, and 48 BLM Districts in 17 Western States. Some 10,000 individual ranchers were interviewed in the survey and more than 14,000 questionnaires were collected. Information was obtained from ranchers on 13 non-fee costs of using public and private lands and lease rates on private grazing lands for both cattle and sheep." (Washington, Nov. 14, 1968 release)

I have not had access to the original data, hence as a research economist I cannot conclude all that might or should be said concerning the adequacy or reliability of the data as these were used to arrive at the figure of "\$1.23 per animal unit month, adjusted by the annual forage value index * * * used to calculate grazing fees for livestock using the National Forests and the public lands. The new base, which is considered the current fair market value, would be reached in increments over a 10-year period, starting in 1969." (Ibid., page 2)

I can, however, testify to whether this new base rate is a "fair market value" of grazing rentals in my substantial area of cattleland. For the most part, private grazing lands are not readily available. Because the commonly accepted view of livestock men is the idle land won't produce as much profit in any other use to which it may be put as in raising a weaner calf on it. But there are always some private pastures for rent. What such pasture brings is what the owner believes the "traffic will bear". Fair market price or not, I paid \$5 per cow month to pasture a group of heifers within hauling distance of my ranch last summer. The "going rate" in the area was \$3.50 per month, but there was no good pasture available for forty miles around. A few seasons back I had a sizeable group of steer calves to carry over until Spring. I negotiated with a Texas wheat rancher, and his price for grazing on planted wheatland was \$3.50 a head, with my taking all risks and paying costs of transport.

Strictly in practical terms, even if the entire ten-year growth rate to \$1.23 per cow unit month were charged this season, it would be much below the costs of private pasture in the area with which I am familiar.

I am aware of the elaborate methods used by the several experts in developing "models" to be used in arriving at a "fair market value" of the grazing of livestock. Some ascribe weightings to each item about which even the experts disagree, some want more items included, some believe less are needed. But "hair splitting" will not tell you and me what should be the rate charged. For the important fact is that whatever figure is arrived at and agreed upon by the parties at interest, none so far as I know deny the fact that government grazing is "cheap". I am not convinced that the fee schedule being proposed will drive any present livestock operators out of business for it is not *the* crucial item in the cost structure of operations.

Ever since I bought my ranch over fifteen years ago, I have bombarded the Forest Service with my urgent request to give me more grazing allotment. And in that class are the comparatively smaller ranchers I know. It is not the price charged for grazing on national lands but the limitation of cow units from which all of the smaller independent ranch operators suffer, and which helps make the difference in survival and profit-making between the small ranchers and the big and corporate outfits.

Let's face it, small livestock ranchers are marginal, not because of the relatively minor cost in their total operations budget of the grazing fees charged them by the government agencies, but because of their small sized operations in an economy which penalizes them for their small size and independence in so many ways. The answer to their dilemma is not to keep the grazing fee down below its fair market value. It is in providing the competent among them access to *more grazing* subsidized by the government. It lies in taking a good look at the heavily subsidized grain produced farmers and finding some way for these small Western ranchers getting feed grains at some approximation of cost so they can feed out their calves on their smaller holdings where their care will make the difference between profit and loss. It lies in ascertaining how to reduce the tremendous markup of twenty to forty percent or more over the cost of manufacture of the labor-saving machinery the small livestock operator needs to make his way with his family manpower in an economy where only the big operator can afford high-priced hired help. It means really providing him access to crop and livestock loans in the amounts he needs and at the rate of interest he can afford to pay. It means giving him first access to any grazing rights that become available instead of allowing them to go to the already large operators in his grazing district. It means assisting him through loans of equipment and labor to improve his share of the grazing areas and his homeplace property.

If the Congress and the Administration really intend to help cattle ranchers stay in business profitably, they will center their attention on the needs of the agencies which administer these millions of acres of public lands. By providing the funds which will allow their programs of range maintenance and development to go forward at an accelerated rate. They will not allow a Bureau of the Budget, no matter which Administration is in the White House, to dictate the level of expenditures and the policies under which budget requests can be made tailored not to the needs of the grazing lands for restoration and development but to some preconception of the dollar allowances or ceilings these agencies can offer through their department heads to the Bureau of the Budget as their requests for financial support.

We in the conservation movement long have labored before the Congress and in the Administration to raise the sights of both the legislative and administrative branches of the government to center on the target of what is needed to meet the ecological and physical needs of the grazing, park, forest, wet and dry lands of the nation. So that we do not continue to slip back year-by-year in our endeavors to insure adequate natural surroundings in which our generation and those to come may breathe clean air, drink pure water and enjoy the bounties of productive lands. We are growing somewhat tired of being frustrated time and again by the Bureau of the Budget's disregard of the actual needs and the requests for support which come from the agencies directly responsible.

No one has estimated with any degree of closeness what should be budgeted to make the grazing lands of this nation as productive in their yield of forage as they can be. I have a small but concrete example to offer. On my summer range 160 acres of meadow land is owned by me, some 1400 acres within the fence boundary is owned by the National Forest. Presently, a de-brushing operation which could add ten percent more carrying capacity within two years will cost \$1,100. But the item for such operations has been cut back by an economy-motivated Budget Bureau, and so the needed brush removal program is "deferred". as it has been in successive years to the point where both the District Ranger and I the ranch owner are nearly discouraged.

I know of other grazing area needs which could increase the carrying capacity and insure the future use of our public lands by easily a fourth or more, yet because Budget Bureau mindedness prevails they are not even suggested by the agencies directly concerned. I also know, as a person experienced in resource economics, that such activities would even meet the test, artificial though it really is, that we capitalize such improvements at the rate of a "going 6% a year".

When considering the grazing fee aspect of the new policy respecting grazing under the Forest Service and Bureau of Land Management we cannot fail to take account of the American consumer's interest in obtaining plentiful supplies of highly nutritious beef at prices within the range of their incomes. Beef used to be a luxury item in the average American diet, but as consumers incomes and tastes rose beef has now become a staple. Yet there are altogether too many

Americans who cannot afford beef. While the range grazers are hard put to it to make a profit.

Range users are calf producers. Some are sufficiently integrated to feed out their calves, but most of them sell their calves off their mothers at weaning time. They go from there to the commercial feedlots and the farmer feeders in the grain areas. The margin each of these handlers take is small, especially relative to the final retail price the consumer pays for his beef cuts. I do not attempt to say who gets the lion's share in the process. But I know from the record and from personal experience that it is not the calf producer on the Western rangelands. He needs any "lifts" he can get to make out, and one of his big lifts to date has been his range subsidy through the use of public grazing lands. There the problem is not so much the grazing fee itself, as the allocation of numbers and the adequacy of the grazing period and the quality-quantity of the forage produced.

There is one aspect of the use of our grazing lands which must be noted in any discussion of this nature. And that is the role played by the permittee in the conservation, development and use of his permitted grazing lands. I know of a few instances, and only a few, where permittees do little or nothing to improve the ranges where they graze their cattle. I know of many, in fact the majority, of permittees who are mindful of their trusteeship and who spend time and money improving their permitted range. In some cases considerably beyond the contract arrangements they have with the agency in charge of the land.

The day is fast passing when the charge can be made that the permittee is out for a quick profit regardless of the effect on the grazing land. But I am also aware of the fact that it is the nature of the permit, the enforcement of its provisions, and the imperative needs each permittee has for his allotment that combine to make him carry out his side of the agreement fully even when other interests impinge upon his time and resources. For most permittees their permit is a part, an intrinsic part, of their ranch property and operations. Which leads naturally into a brief consideration of the part of the new policies which is causing more concern among ranchers than the raise in the grazing fees. I refer to the declaration that the fee system to be employed does not provide a "monetary consideration in the fee structure for any permit value that may be capitalized into the permit holders' private ranching operations" (Federal Register, January 13, 1969).

The Effect of the Capitalized Market Value of the Grazing Permit.—There have been attempts in the past to make it a declared governmental policy that any ranch holding a permit to graze held that permit in perpetuity as a right akin to ownership. That while the permit did not rest on a transfer of title to the land in question and while the permittee did not pay taxes on that land, to all other intents and purposes he was the "owner" of the grazing land for which he held a permit. It would appear that there is still some doubt among some ranchers about the ownership of permitted range land. So that the Government in this declaration of policy respecting grazing and grazing fees deemed it necessary to reaffirm its continued stand that such grazing lands are part of the undivided public domain. That any use thereof by livestock operators was subject to, and rested by their very nature on, an annual permit, which required renewal of a contractual relationship between the government agency and the individual permittee. The terms of any such permit might remain the same as that of the year or years previously issued, but then, again, they could be changed and agreed to by the parties at interest. The permit could be revoked for cause, for disuse, or modified for other more important purposes. The grazing season could be shortened, or lengthened, as the administering agency might determine. In both a legal sense and in the operational features agreed to between the parties, there is no semblance of a doubt that each understood the permit to be just that, an annual agreement to use the rangeland according to the terms of the annual permit.

The long-established terms of such permits require that the permittee be the legal owner and operator of a ranch having sufficient private land and water resources to sustain the livestock during the period when they will not be grazing on the permitted acreage. There are usually provisions, also of many years standing, that the legal owner and permit holder of said ranch may refrain from using the rangeland for a given period of time, but yet has the right to reenter on the use thereof when a new permit is issued. Permits are not transferable, except by and with the consent of the government agency concerned. There is also a combination of permits, each on its own separate contract paper, where a

permittee having private lands within the allotted area of grazing lands may be permitted to graze additional livestock on the public domain surrounding or adjacent to his private land. In which case he agrees to certain terms of control over his lands by the agency having jurisdiction.

Why, then, is this matter of the nature of the permit brought up in connection with the fee raise program at this time? Because alongside of the known nature of the permit has grown up in practice in the West a system among ranch owners, bankers and those with whom they do business, and in the selling or buying of ranches, which has included the grazing permit allotment of animal unit months as worth some figure of value. When stated in dollar terms this figure varies widely with owners and their business connections. For example, I know a ranch nearly adjacent to my own whose owner is prepared to sell some 1,600 acres of needed land on a mountain meadow surrounded by National Forest land for which he has a combination (public and private) permit of some 400 head of brood cows for a three months summer season. He has been asking \$400,000 for the 1,600 acres because to a ranch operator it would customarily (tho not necessarily) carry the rights to the public forest grazing allotment. The saleable price for the 1,600 acres alone would not be above \$50 an acre, or \$80,000.

The range permit has unusual significance in the West because it often spells the difference between a viable ranch operation and one which is not. The range permit has become an historic instrument as well as an integral part of the ranch itself. It is therefore not to be treated lightly or cavalierly by any party thereto. But it cannot be considered as a legal claim against the agency issuing it, and ranch operators are fully aware of that. There is no such caprice about it as mentioned in the practical book of financier Harold Oppenheimer's *Cowboy Economics* which says:

"No matter what the history has been or what you are told by brokers or 'old ranchers', never forget that all it takes is for the President of the United States to get up on the wrong side of the bed one morning and sign a document that will take away your leases without compensation". (*Cowboy Economics, Rural Land and Investment, 1966, p 110*).

But the "squeeze is on", in the view of some observers who witness the various "claims" of different users on the public domain. I cite this illustration—Across the valley from my ranch is a picturesque mountainous region where some striking scenes are to be found and where a band of handsome wild horses led by the proverbial silver maned stallion are to be seen from time to time. The region has some good watering spots and some valuable forage. It is under BLM management. It is excellent deer hunting country and has the potential of becoming good wild turkey and chucker hunting. It also yields a goodly number of dove and mountain quail limits each season. There are favored spots for picnicking and camping in its canyons.

The BLM has determined it to have considerable recreational potential, which now becomes a contender with its primary use as grazing land. So, after surveying the present carrying capacity and usage, and finding it overgrazed by today's standards, the BLM has decided to cut back considerably its allotment, and has so informed its permittee. But this range is absolutely vital to the operation of the ranch. It enters into its sales value and the widowed owner has the ranch on the market. Without the BLM allotment, its sales potential is limited, its production prospects anything but right.

There would appear to be room for the treatment of such cases under the heading of "hardship". But there is no question whatsoever that legally and in terms of the development of the rangeland according to a sound program of multiple use, the agency must be able to change the terms of its permit. It cannot be put in the position that because this land and its permit have been combined in the historic development of the ranch and enter into its workability and sales value the agency cannot alter its contract terms.

To include the "annual capitalized market value of the grazing permit" as advocated by the National Cattleman's Association in its brief submitted on November 9, 1967, is contrary to the long-established public policies respecting our public domain. It is fixing a claim of certain private interests for their individual and profitable enrichment. Such an approach is about as close to a direct claim of ownership as one could get without a grant of legal title to the land. This is not what my reading of my permits, nor the history of the grazing laws show was ever intended.

What I do suggest can be considered is some clarification of the permits issued by the controlling agencies. I also believe it would be advantageous, as the new policies are put into operation, for each agency, the Forest Service and the Bureau of Land Management, to establish at the regional level at least a commission or tribunal to consider disputes and hardship cases, representation in which should be of qualified persons not directly connected with the principals in cases being reviewed.

Changes Underway and Ahead.—The revised grazing fee schedule comes at a time in the use of our natural resources when contending claims and claimants are pressing for a share in such use of the public lands. It is unfair to these to allow livestock grazers a major subsidy in a fee schedule far below the fair market value of the pasturage if a similar subsidy is not allowed these other claimants. Timber sales, for example, are made to the highest bidder.

A federal government searching every where for possible income has in the total subsidy of livestock grazing a considerable additional revenue source for the U.S. Treasury, to which the Government has a fair and just claim. Increasingly the other aspects of our natural resource program are being forced to generate out of users fees more of their costs of operations, and the grazing lands should not be given favored treatment.

The new fee schedule and range policies come at a time when the agencies administering these lands are beginning to launch a much more adequate range supervision and improvement program. Permits may be expected to undergo revision, even to including changes in carrying capacities of particular ranges, as such stepped-up range management policies and practices develop. Hence, it is imperative that the permit remain as it has always been, a priority claim for first consideration by the agency of the holder of a permit, but not some legal or implied ownership which the permittee may be allowed to include in the capitalization of his ranch with the approval of the government and the government must include in its several items which make up the basis for the levying of a grazing fee.

There is no reason for any further delay in applying the new fee schedule. It has been under active consideration for years. No new evidence is likely to be forthcoming from any studies now underway. All parties at interest have had ample time and full opportunity to be heard, and their viewpoints have been duly considered. The fee schedule and plan of operation allow ten years of adjustment, during which revisions may be expected, a system of gradual change which works least hardship on individual permittees.

The main problems of grazers on the public lands are not found in any such fee increases as announced. They were elsewhere, in such matters as obtaining more rather than less range allotments, in insuring the American consumers more rather than less beef foods, in producing beef profitably but at prices which consumers can afford.

A more satisfactory fee schedule will produce more income for the government, but grazers now suffering limitations of use of the range, and more such limitations in prospect, should be reaching this Committee and the Congress with urgent requests that the additional income their grazing permits produce be devoted in the first instance to the range improvement which offers the best hope of stability and growth in the range cattle business. If sound tax policy stands against special earmarked uses of federal income, then the claim should be pressed for enlarged budgets of the Forest Service and Bureau of Land Management for range improvement work. For that way lies hope.

There are some additional items germane to the two issues before this committee, (1) raising the grazing fees on the public domain and forests of the nation, and (2), whether permittees should be allowed to make further claims on these lands through capitalizing their permits, thus making them more than temporary leases and closer to "owned" parts of their ranch holdings. The additional points to be made cover the experiences with Bureau of Land Management lands and their use for grazing purposes.

The history of the efforts to regularize the use of the public lands prior to the Taylor Grazing Act of 1934 reveal that some sought to fix the preference right, if not the actual ownership, of particular grazing areas. That was settled, at least in law, and over a period of time since then by administrative action in practice. So that the principle became fixed that a permittee had a preference to a grazing area on a showing covering historic use of the grazing area related directly to a base property in his ownership which was operated in conjunction

with the grazing use seasonally. Ownership by the Government of the grazing area was respected by the permittee and signed for as such periodically under terms laid down by the BLM permit. It remains so to this day. No one is in doubt about who owns the grazing lands.

But this situation does not prevent the practice of the ranch owner putting some figure of monetary and cattle numbers value on the grazing permit for his own purposes. And it is understood by him, and by any new owner who takes the trouble to find out, that ownership is fixed in the federal government but the use value is in the rancher's permit for grazing purposes. Each has its own particular kind of value. Surely, permits are "sold" by ranchers in the sale of their ranches. And BLM is aware of that. So that, providing the terms of the Taylor Act and BLM are complied with, and the new owners are willing to abide by the requirements of their permits, use of the grazing land is transferred with the transfer of the ranch holding to the new owner. Then, in his operation of the ranch, a figure of cost of grazing is made in his costs of operation. In the back of his head, if he does not put a figure on his books directly, is also a figure covering the "value" of the grazing permit.

The situation works out satisfactorily for both parties concerned. It is only when an attempt is made to capitalize the value of the grazing permit as a major element in figuring the grazing fee charged as compared with the cost of private pasture that any difficulty arises.

When this is done the proposed fee schedule of the government agencies may appear high as compared with so-called pasture fees charged privately. To some marginal and small producers this could make a difference in their ability to stay in business. I have yet to see any figures which would convince me that this is true. On the contrary, in terms of total costs of operations, the current charge of 33 cents per AUM on BLM land enters into the cost of operation to be met annually by a cattle rancher as an estimated 3 per cent thereof. No rancher is going out of business this year due to this set up from 29 cents to 33 cents, and none will go out of business ten years from now because the AUM will have reached a closer approximation to the market value of pastureage of \$1.23 cents.

The real truth of the situation is that cattlemen have been the victims of a cost-price squeeze for many years now. In which the costs of all the things they must buy to operate a ranch, the price of their hired labor, transportation and marketing are all going up higher year by year, while the price at which they must sell their calves has varied from year to year but has not risen in any approximation to the increased costs ranchers must pay for their purchases.

If this committee's concern for the plight of the livestock grower is to be met satisfactorily, the problem is not the new grazing fee schedule being introduced belatedly by two much-harassed and under-budgeted government agencies. It is the failure to face up to the need of the nation for more red meat at reasonable consumers prices. The prospect for more red meat production depends considerably on the increase in the number of head grazed on better forage on the public lands of the nation. Take the BLM situation today, where there is an estimated need for at least 12,000 joint management plans to be installed with increased and better forage the goal, as against the present 1,200 plans in force, and the allocation in the current budget for only 200 more such plans to improve the range. There are a number of examples to show that such plans and operations have increased the carrying capacity of the range lands from 100 to 200 per cent.

It is the conservative estimate of the practical men operating BLM that a step-up program of range improvement and management along modern lines would easily triple production within a matter of a few years. Therein lies the real prospect of increasing the number of beef calves made available for fitting into useable beef products to feed a growing number of consumers to provide a more acceptable standard of living.

Improve the range, increase three-fold or more its carrying capacity, and several benefits accrue therefrom: 1) all cattlemen, small marginal, medium sized and large, are made more productive and their ability to meet the increased costs of operation are enhanced, their profit margins more assured; 2) feeders and finishers are assured substantially increased supplies of calves at reasonable prices; 3) meat purveyors are given more product to put on the market; 4) consumers are the beneficiaries of more red meat supplies and prices to them should come down some or the amount consumed should rise. But the chief beneficiary

of all is the general public, the nation. For one of its major resources, the lands and forests upon which so much of our well-rounded life depends, is being restored, made more productive. All the ways in which the vast public lands contribute to healthful and enjoyable living of our teeming city populations through more and better water supplies, flood control, clean air and recreation are enhanced.

Provide those means of improving and managing the public lands which modern science and practical administration make possible, and the income of these improved ranges will allow the increases in budgets needed out of the revenues earned from the uses to which these lands are put. We cannot continue to starve and under-capitalize these land agencies without paying the price in reduced range capacity, less revenues produced and marginal livestock men leaving their ranches in discouragement. Take the BLM, which currently has a budget allowing one professional employee per a million acres of land under BLM management. While the very conservative estimates of need is for at least five such persons at work on such a stretch of land.

Is the alternative some offer, that of selling these lands to private owners and having the government retired from the business of its management an adequate answer? The BLM has an active program of making such sales. Its record offers no basis for optimism that these lands in their present condition will bring a price which livestock owners can and will pay as over against the offers of land hungry people and speculators who have no ranch bases and no intentions of using the land for grazing purposes. Such an approach is self-defeating so far as livestock growers are concerned. Nor can the conservation need of the nation be met that way either. For these private, largely absentee, owners are not obliged to do anything, with their land purchases, and some of the most neglected areas of which we know are just such parcels of former public lands now in private ownerships.

There is another aspect of the problem under review about which a word or two seems necessary. I refer to the fact that the same kind, if not the same degree, of consolidation, merger, and conglomerate ownership-operations we find so increasingly characteristic of our industrial, merchantile and banking economy has reached into the livestock industry. With the effect that the number of individuals having permits to graze the public lands is declining. The permits are being issued to larger operators as consolidations occur and conglomerates look with increasing favor at the tax-offset and other advantage of cattle ranches, including the advantages of large-scale management.

Land is scarce and becoming scarcer. Its appreciation over a span of years is evidenced. In my region, appreciation on ranches sold has averaged slightly less than 9% a year for the past ten or more years as reported by the Department of Agriculture. This has not escaped the notice of investors.

There is no program of which I am aware, either in the Forest Service or the Bureau of Land Management, to insure the continuance of smaller individual ranchers in business through the allocation to them of any permits which reach the agencies for reallocation. Invariably, in the area of which I have first-hand knowledge, the permits allowed to lapse or which are "sold" through the transfer of cattle and other devices allowable under lease-permit provisions, seem to go to already larger outfits. How much all this has done to bring about large-scale operations already is evidenced by a figure in the BLM report.

"Fifty-two percent of all BLM forage (number of AUMs) is allotted to only five percent of the permittees." * * * While operators having less than 500 AUMs are two-thirds of all permittees, they have only 7.3% of all AUMs.

There is another element worth including in the situation, namely, that all indications point to this as a propitious time in the cattle cycle to institute the new fee schedule. There won't be much increase, say the experts, in feed-beef output this year over last. And "feeders are going to be harder to come by", for the large heifer stock slaughtered and she-stock decline have brought us to a point in the cycle where the rebuilding of herds will take some years. During which prices for beef calves, the product of range grazing, should hold or go higher (reported in Smith Sasay exclusive Cattle Letter of January 1, 1969).

Mr. BARING. Next is David Fulton, president, Tri-County Cattle-men's Association, Mackay, Idaho.

**STATEMENT OF DAVID FULTON, PRESIDENT, TRI-COUNTY
CATTLEMEN'S ASSOCIATION, MACKAY, IDAHO**

Mr. FULTON. Gentlemen of the committee, Mr. Chairman.

I will do this in 4 minutes instead of 6.

May I say this is a report compiled by Roland Bevan, at the Agricultural Experiment Station of the University of Idaho College of Agriculture. He is a statistics professor. With your permission, I hope you will accept this as a preamble to the actual report itself and have it included in the record.

As the nameplate shows, I am David Fulton from Mackay, Idaho, livestock operator and tax accountant. Page 1 I am going to omit. All it is is a history of Dr. Bevan's report as it applies to this report.

Page 2 is more of the same.

Page 3 is a final analysis of Dr. Bevan's report. This report covered the years 1960, 1961, 1962, and 1963. He made a preliminary report for each year and this is the analysis of the complete report. He put it out in 1965 and I have had an opportunity to work with him on most of the report.

I have tried to bring this thing down to a grassroots view of what a cattle association is and how it affects the individual rancher.

The Tri-County Cattlemen's Association, on page 4, is pretty much self-explanatory. There are 17 associations, I believe, in that and I think they run around 24,000 head of cattle. Twenty thousand of them are usually on the range, the other 4,000 are normally nonuse, or for some reason, they are not there, but roughly, the figure of 20,000 head of cattle on the range, in the area of the size of the nine smallest States.

Custer County itself, of which the balance sheet, and this is something one of the committee members tried to find out in testimony sometime earlier, how this would affect the county tax base.

Table 3, page 6, is the analysis sheet of Custer County as it appeared in the newspaper, their operating report. I shall not go through the list with you.

I will drop down to the bottom of the page, where it shows the total real value of property in Custer County is 69 percent of the total value of the county, which means that this group of some 200 and possibly 50 farmers and ranchers create 69 percent of the tax base of this county, which is larger than Rhode Island, Connecticut, and about the same size as Delaware.

In addition, total value of all livestock is 53 percent. This is personal property, now. Total value of all other personal property is only 32 percent. Utility make up the balance of 15 percent. Total value of other property includes one sawmill and one mine that is operating. That is a very small part.

The case study of the five ranches is from my personal accounting records. I took five ranches that fall within this category of from 150 to 250 cattle and by proportion, established a reasonable proportionate fee out of a 200-head base, because you have to have some place to start with and 200 head is possibly larger than average, but certainly something you can pin down.

Page 8, I will refer you first to table 4, right at the top, which takes you from 1961 at the bottom to 1969 on the top. It shows you the actual average taxes on these five ranches and how they increased.

The second column of figures is the actual grazing permits and how that fee is increased. This is the sum of both the Forest and the Taylor Grazing Act. The rancher does not care who gets the money. It is the cost of his.

The third table is what is costs to operate on my particular association by the head. In 1961, the fee was \$1 a head. For 200 head, it was \$200. It has exactly doubled in the 9 years, this table shows. In fact, it has been double for the last 3 years of that.

I will just point out the highlights—taxes have increased 30 percent overall, grazing has increased 16 percent, the average price of cattle has gone from 26 to 32. This is from 1965 to 1968. It does not include the yearly years. The cost of running on the range and association dues has doubled.

In addition to this cost, in 1 year we put in \$2,500 worth of fencing that could conceivably and probably should conceivably be added to the cost of range fees if they are willing to pay additional range fee costs.

The table on page 9 shows the interest for the last 4 years of the report—1964, 1965, 1966, 1967, and 1968, and how interest has risen, how depreciation has risen, how supplies and repairs are rising but not at such a rapid rate. There is an explanation of this in the text which I will not read.

That is one thing that is interesting, the feed and seed cost which I include shows 1968 was a very harsh winter and everyone had to buy more feed. The year 1965 was a drought year and everyone had to buy more feed.

You will note on the next table that this is also reflected in the income.

May I go right to the analysis?

I shall not need to read all of that. I have found that so many people here originally did not have too good a concept of what a cattle ranch receives its money from. If it takes more calves to pay our taxes, for example, and we do not have any other source to go out and get more calves, we cannot increase the operation.

The last page of this is simply an analysis of what you can expect to sell from a 200-cow outfit in any given year. I do not think I will even bother to read you the analysis. It is right here. I hope it will be given consideration in the committee.

(The prepared statement follows:)

STATEMENT OF DAVID FULTON, PRESIDENT, TRI-COUNTY CATTLEMEN'S ASSOCIATION,
MACKAY, IDAHO

Progress Report

COSTS AND RETURNS TO MOUNTAIN-TYPE CATTLE RANCHES IN CENTRAL IDAHO IN 1963

(A Related Study of Five Ranches in Custer County Operating on range lands in the Challis National Forest and being managed by the U.S. Forest Service, and Contiguous lands managed by the Bureau of Land Management)

HISTORY

During the four year period from 1960 to 1963 Dr. Roland C. Bevan, Economist and Acting Head of the Department of Agricultural Economics at the University of Idaho made a Progress Report of the costs and returns to mountain-type cattle ranches in central Idaho. The results of this study were completely compiled in

1965 and certain portions of this study and appropriate graphs are included to show the trend in the years since 1963.

Table one shows the balance sheet from Dr. Bevan's report on twenty four ranches in this area. In his report Dr. Bevan did not carry interest as a figure in net farm expenses so his returns to net income are correspondingly greater. He applied the interest cost to capitalization. He did not carry death loss as cost of operation but allowances are made in net inventory. The range operator must figure death loss as part of the cost of operation because it materially reduces his net farm income. Death loss on the range is conservatively set at 3% which includes both confirmed death loss by carcass count and the far greater loss by head count mostly breeding cows that for any of several reasons "lose" their calves on the range. This figure should be given due consideration in the fee structure when considering the livestock operators cost of running cattle on the range.

Dr. Bevin capitalized the value of a range permit at \$250 per animal unit. Present values in sales of ranch property range from \$400 to \$600.

As you can readily see Dr. Bevan has made no allowance for vet and medicine or death loss. Vet and medicine would average somewhere near \$3.00 per cow unit.

Death loss and other losses would also run at least \$4.00 per cow unit. Depreciation of a \$200.00 cow for 8 years minus salvage of \$140.00 gives about \$8.00 per year interest on investment at Dr. Bevan's figures of \$250 per AUM (cost of the ranch) plus \$200 for the cow, gives \$450.00 @ 5%=\$22.50 this gives, in addition to Dr. Bevans total cash operating expenses of \$60.71 per cow unit a total in hidden costs of \$37.50 per cow. A total expense per cow unit of operating a ranch of \$97.50. You can readily see that using todays figures of \$500-\$600 (cost of a ranch) per unit plus the cost of the cow and using 7½% interest we would come up with a very small margin of profit on a per cow basis.

TABLE 1.—INCOMES AND COSTS PER COW, 1963

	Average of 24 ranches	Average of 5 most profitable ranches *	Average of 5 least profitable ranches *
Cash income:			
Cattle sold.....	\$97.45	\$100.65	\$84.00
Other livestock and livestock products.....	2.67	3.69	3.46
Crops.....	.62	.04	.35
Work off the farm.....	1.22	2.69	.97
Miscellaneous income.....	2.06	2.11	1.15
Total cash income.....	104.02	109.18	89.93
Increase in investment value of livestock.....	9.85	7.62	23.77
Increase in investment value of crops and supplies.....	.60	8.05	
Gross income.....	114.47	124.85	113.70
Cash operating expenses:			
Hired labor.....	8.87	2.29	13.86
Feed.....	4.26	3.64	6.44
Grazing fees and pasture rent.....	2.36	3.34	3.28
Crop expense.....	3.28	1.51	2.88
Repairs for machinery.....	4.37	3.56	4.83
Repairs for buildings and improvements.....	1.15	2.38	1.43
Fuel for farm use.....	5.59	4.39	6.00
Custom work hired.....	1.22	1.45	1.22
Farm share of auto expense.....	1.45	1.39	2.79
Livestock bought.....	12.83	11.32	14.42
Livestock expense.....	3.80	4.27	2.95
Taxes of real estate and personal property.....	7.24	7.44	6.68
Insurance.....	1.58	1.44	1.24
Telephone and electricity (farm share).....	1.35	1.62	1.16
Water assessment.....	.36	.25	1.16
Total cash operating expenses.....	60.71	50.82	71.41

*Most profitable and least profitable ranches are on the basis of return to capital and to operator's labor per cow. This ignores the number of cows kept.

TRI-COUNTY CATTLEMEN'S ASSOCIATION

The Tri-County Cattlemen's Association is made up of all of the livestock producers in Butte, Custer and Lemhi counties who hold grazing permits on the Challis National Forest and who own commensurate property sufficient to feed their breeding cattle at least seven months of the year.

Within the boundaries of the Challis National Forest there are 24,153 permitted livestock that use the forest ranges during the summer months each season. There are seventeen separate sub cattle associations each operating on an allotment with specified boundaries and each one operating in cooperation with the Forest Service and the Bureau of Land Management in inovating sound conservation practices, rotation and deferred grazing methods, erosion control, poison eradication and control, water development and fencing where necessary to best protect the range for future use and yet produce the maximum utilization under the multiple use principle. The various permittees in addition to paying the grazing fees are required to furnish all expenses such as salting, herding and movement of cattle while they are on the range. They also contribute both investment capital and labor in building water developments and in construction of fences to better facilitate the handling of cattle on the range.

TABLE 2

(For a comparison of the size and scope of the Challis National Forest area which is subject to lumbering, mining, recreation, game management, and livestock production the following table is presented)

Name	Area in square miles	Population
Custer County.....	4,929	2,996
Lemhi County.....	4,448	5,816
Butte County.....	2,239	3,498
Total.....	11,616	12,310
Rhode Island.....	1,214	
Delaware.....	2,057	
Connecticut.....	5,009	
Hawaii.....	6,450	
New Jersey.....	7,836	
Massachusetts.....	8,251	
New Hampshire.....	9,304	
Vermont.....	9,609	
Maryland.....	10,577	

It can be seen that Custer County—the base from which the statistics of this report are derived is larger in area than the two smallest states and about equal to the third, while the combined area of the Challis National Forest contained in the three counties is larger than the area of the nine smallest states.

The economy of this area is tied firmly to the livestock and the farming elements which make up about 70% of real property tax base and 53% of the personal property tax base including livestock.

TABLE 3

(1966 Financial Report—Custer County, Idaho)

Real property.....	\$3,958,769
Personal.....	340,142
Subsequent personal property.....	132,341
Total.....	4,431,162
Farm irrigated land.....	765,123
Grazing irrigated land.....	231,972
Total.....	997,095
Nonirrigated agriculture land.....	3,037
Dry grazing land.....	139,924
Subirrigated grazing.....	170,545
Total.....	313,506
Rural improvements.....	597,657
Total value of real property—farm.....	1,908,258
Business lots.....	36,236
Residence lots.....	123,973
Business improvement.....	245,026
Residence improvement.....	365,254
Total.....	770,189
Other.....	77,050
Total value real property other than farm.....	2,755,767
Grand total.....	4,431,162

TABLE 3—Continued

	Amount	Percent
Total value of all livestock.....	\$891,790	53
Total value all other personal property.....	534,448	32
Total value of utilities.....	249,157	15
Total real property farm.....	1,908,258	69

A CASE STUDY OF FIVE RANCHES IN CUSTER COUNTY

The statistics presented in this study are the results of the averages of five ranches in Custer County, Idaho.

In Dr. Bevans report he used 24 ranches classed as small with 150 or less animal units, medium with from 150 to 300 animal units and large with over 300 animal units.

For the purposes of this report all figures have been adjusted by percent to a 200 animal unit operation. This has resulted in some distortion especially in cost of labor accounts, feed and seed expenses and supplies and repairs for some years but the distortion is within 5% and does not alter the results of the study.

The figures attributable to total farm income are from two sources. The net farm gain (or loss) figure is the amount reported from income tax returns and shown on form 1040-F after all operating expenses have been subtracted from gross revenue directly attributable to other sales from farm produce or pasture, wool, lambs, agricultural farm payments, credit refunds etc. all reported on form 1040-F. To this figure is added such amounts resulting from the sale of long term capital gains attributable to livestock production and farming namely the sale of breeding stock and Sec. 1245 and 1250 assets on Schedule D.

TABLE 4.—INCREASE IN TAXES, GRAZING FEES, AND ALLOTMENT ASSOCIATION DUES IN 8 YEARS

[Adjusted to 200 head of livestock]

Year	Taxes	Grazing fees	Association dues
1969.....		\$532	\$400
1968.....	\$1,398	483	400
1967.....	1,316	483	400
1966.....	1,197	455	350
1965.....	1,123	401	300
1964.....	1,177	401	300
1963.....	1,107	401	250
1962.....	992	401	250
1961.....	922	401	200

In this 8 year period on a 200 head unit taxes have increased by 30% overall. Grazing fees have increased by 16% and the increase in 1969 over 1968 if the fee increase proposed is added the increase will be 10%. During this same period the price of a 400 pound calf has risen from an average of 26¢ to 32¢—a percent increase of 18%.

It takes four more calves to pay taxes in 1968 than it did in 1961 at today's prices.

The cost of running on the range in association dues has doubled. The labor cost of hiring a rider has increased 23%. It requires in addition to the above figures, 12 to 15 man days per permittee per 200 head of livestock in a season in extra labor costs. Death loss on the range and missing animals in inventory will average 2% to 3%. All of these factors must be considered to get a true picture of the cost of running cattle on the range.

TABLE 5.—THE RATE OF INCREASE OF THE MAJOR OPERATING EXPENSES ON THE AVERAGE OF 5 RANCHES IN CUSTER COUNTY: DATA TAKEN FROM ACTUAL INCOME TAX RETURNS—ADJUSTED TO A 200-HEAD-OF-LIVE-STOCK OPERATION

Year	Interest and insurance	Depreciation	Supplies and repairs	Feed and seed
1965.....	\$2,227	\$1,669	\$707	\$1,389
1966.....	2,446	1,836	902	922
1967.....	2,521	2,001	1,122	794
1968.....	2,722	2,162	1,304	1,545

The farm debt mortgage continues to rise. This is due to two factors, the increased interest rate and the fact that the cost of new machinery continues to increase at a rapid rate. This shown by the steady rise in depreciation costs also the steady rise in cost of repairs and the labor cost increase by mechanics labor. At the present time a major repair bill on the sophisticated type of machines that farmers and ranchers now use is about equally divided between the cost of the repairs and the mechanics labor bill. Ten years ago farmers did about 80% of their own repairing but new machinery requires the special tools and mechanical skill found only in the shops of the implement dealer and ranchers mostly can only do about twenty percent of their own repairing of equipment.

The feed and seed column shows only that 1965 was a drought year and all ranchers had to invest heavily in supplementary feed while 1968 was abnormally cold with deep snows in the area and winter pastures were covered causing extra feed costs.

TABLE 6.—TOTAL FARM GROSS INCOME AND EXPENSE

[Income factor is in 2 columns, farm income as reported on form 1040-F and capitalized income from the sale of long-term gains, mostly breeding stock and sale of secs. 1245 and 1250 assets]

Year	1040-F income	1040-D income	Total	Gross expense	Farm income
1965.....	\$11,274	\$986	\$12,260	\$9,748	\$2,512
1966.....	13,905	13,905	3,017	11,369	5,653
1967.....	12,405	3,788	16,193	9,970	6,223
1968.....	12,701	3,992	16,693	11,942	4,751

Averaging the good years with the bad years the average net farm income still hovers around the \$4000.00 mark which is about the same as Dr. Bevan showed in 1963 if the adjustment to a 200 head operation is made.

Despite the increased rise in livestock prices to the stockman, his net return has remained about the same while all other industry and all union contracts have had substantial raises in income to compensate for the increased cost of living.

Dr. Bevan showed a break down between net income and 5% return on investment. Dr. Bevan showed a total investment capital figure of about \$123,000.00. This figure is now about \$150,000.00 per 200 cow outfit. Either the rancher and farmer in this area is working for \$2500.00 per year and making a return on his investment of \$1500.00 or .01% or he is earning about \$4000.00 and receiving nothing for his capital investment.

TABLE 7.—WILDHORSE CATTLE ASSOCIATION—A 9-YEAR CASE STUDY

Number of cattle on the allotment.....	1,390
Number of cow months.....	6,497
Number of permittees.....	7

Year	Grazing fee per 200 head	Total dues cost	Association dues	Herding expense
1961.....	\$410	\$1,390	\$200	\$1,559
1962.....	410	1,390	200	1,559
1963.....	410	1,737	250	1,600
1964.....	410	1,737	250	1,650
1965.....	410	2,085	300	1,650
1966.....	455	2,085	400	1,700
1967.....	483	2,085	400	2,000
1968.....	483	2,085	400	2,100
1969*.....	549	3,703	(1)	(1)
1979*.....	1,230	7,891		

* Rev. from the Association.

The two (*) lines above show what the range fee will be in 1969 and in 1978 if the proposed fee increase is added.

As an added Cost to the above table Special Assessments are levied to cover capital investment costs. This levy is changed to each permittee on a per head basis.

On the Wildhorse Allotment the Permittee invested \$2,437.00 in 1966 and 1967 for the construction of fences to protect a spray area.

The Wildhorse Allotment will enter into a five year rest rotation and deferred grazing plan in 1970. This will require capital investment by each permittee to build about *ten* miles of fence. At present costs this will amount to \$400.00 per mile for a total of \$4,000.00 in additional costs with no assurance that the operator will get a return on investment.

The permittee also is charged with the repair cost.

If the 10 to 15 days per 200 head of labor by each permittee is added at \$20.00 per day, this will amount to \$200 to \$300 added to the cost of running on Forest lands.

Permittees also invest both time and capital for water developments.

ANALYSIS

1. Real property taxes have increased 30% since 1961.
 2. Grazing fees have increased by 16% since 1961.
 3. If the fee increase becomes effective it will increase 10% on National Forest range and 22% on BLM range in 1969 over 1968.
 4. By 1978 this increase will be over 200% with reference to 1968.
 5. The top market value of a 400 pound calf in 1965 was 26¢ for an average of \$104.00.
 6. The top market value of the same calf in 1968 was 32¢ for an average of \$128.00 or a 20% increase.
 7. At 1968 prices it requires five extra calves to pay the taxes.
 8. At 1968 prices it will require an extra calf to pay the grazing fee in 1969.
 9. At 1968 prices it will require five extra calves to pay the grazing fee in 1978.
 10. Interest costs are the largest single operational cost accounting for 23% of the total expense.
 11. Depreciation and taxes are the next two most expensive costs of operation.
 12. In 1969, based on 1968 basis, direct grazing fees will account for 4% of the operating expense.
 13. In 1969 Association dues will be 3% for a 7% direct cost of grazing on the range lands.
 14. In 1978 the direct grazing fee will be 10% of operating costs.
- The range operator is producing at the full capacity of his permit. He cannot add more breeding stock to increase his net margin.

On a 200 head breeding cow herd at \$200.00 per head the total value of the herd is \$40,000.00. It would require the stockman's entire herd to pay for the salary of one executive in business for one year.

The best operators on a 200 head herd can expect a 90% calf crop under the best conditions.

By marketing time this figure will be reduced to 80% or 160 calves, and only half of these will grade top market price.

40 head steers at 400 pounds and 30 cents -----	\$4, 800. 00
40 head steers at 400 pounds and 28 cents -----	4, 400. 00
40 head saleable heifers at 25 cents -----	4, 000. 00
20 head cows eliminated at \$100.00 -----	2, 000. 00
	<hr/>
	\$14, 000. 00

From the above table it can be seen that at 1968 base the ranchers' gross receipts from sale of livestock will be about \$14,000.00 and his costs (gross expenses) at \$10,500.00. Leaves a meager margin of \$3,500.00 net income with nothing for interest return on his average investment of \$140,000.00.

Mr. BARING. Thank you very much, Mr. Fulton.

Gene Davis, president, Owyhee County Cattlemen's Association, Burns, Oreg.

STATEMENT OF GENE DAVIS, PRESIDENT, OWYHEE COUNTY CATTLEMEN'S ASSOCIATION, BRUNEAU, IDAHO

Mr. DAVIS. Mr. Chairman, gentlemen of the committee: I am sure you are going to be glad to see me because I think I am the last witness.

My name is Gene Davis, Bruneau, Idaho, and I represent the Owyhee Cattlemen's Association. My background for this assignment is one of conservation for I am presently a member of the Advisory Board for the Boise District of the Bureau of Land Management, chairman of the County Committee for the Agricultural Stabilization and Conservation Service for Owyhee County, past president of the Owyhee Cattlemen's Association, past director of the Idaho Cattlemen's Association, and currently chairman of the Public Lands Committee for the Idaho Cattlemen's Association.

I think with this background, I am one of those good and stalwart conservationists referred to here, but I also find that I lie in that category of being one of the 5 percent people referred to. I do not know how to wear these two hats today.

Owyhee County lies in the southwest corner of Idaho bordering Oregon on the west and Nevada on the south. It encompasses some 4,888,000 acres with 75 percent of this land controlled by the Bureau of Land Management as we have no forest areas in the county.

I have visited with many people from the urban areas or people who have read the newspaper headlines and believe that we livestock operators on Federal lands of the West are being subsidized by the Federal Government because of the low charges made for an animal unit month of grazing.

In an effort to counter this type of thinking, I would like to relate to them the results of the grazing fee study and point out that my main disagreement is not with the study, but the refusal of the Bureau of Land Management to recognize the permit value.

Another point I would like to touch upon briefly is that portion of the proposed formula that provides that the base grazing fee be

adjusted annually by an index computed from the average rental rates paid by ranchers for private forage in the 11 Western States. These rental rates are published annually in "Farm Real Estate Market Developments" by the Economic Research Service. Adjustments in the grazing fee would be made in relation to increase or decrease in rates for the calendar year immediately preceding the new grazing year.

I would like to direct your attention to the very real possibility or almost certainly, that due to the added costs of operating on Federal ranges and the decreasing desirability of owning a permit, livestock producers will look more favorably to grazing of private lands. This in turn, because of added competition for these lands, will raise the rental rates, and increased rates will be reflected in the Economic Research Report published annually. With this factor included in the formula we fully expect the fee cost to advance at a much more rapid rate than that projected by the Bureau in their grazing fee analysis. We feel the maximum of \$1.23 per animal unit month would quite possibly be reached in 7 or 8 years.

We are very much aware of the popular public thinking that we livestock producers on the western rangelands have had almost free use of vast acreages for many years with little or no effort on our part to improve the range. It is understandable that people who are not closely associated with a range livestock operation should feel this way. We would like to repudiate this type of thinking with some facts about user contributions made over the years.

This alludes to the fact that original owners of permits have done very little or nothing to enhance the value or increase the value of public lands. In other words, to do this, I would like to give an example of what has taken place in the area in which I operate. The area is roughly 100,000 acres used entirely by cattle and wildlife with no sheep.

There are seven licensees in this area with approximately 2,500 head of cattle—run for an average of 6 months use on public lands. Until 3 years ago practically 100 percent of the improvements in the area were made by the users. Eighty percent of the available water for livestock, game and fish is located on private land with the 20 percent available on public land having been developed, as a dollar out-of-pocket cost, entirely by the users. These efforts and expenses contributed by users are certainly items which, we feel, should be recognized as definite contributions to a permit value.

It is certainly apparent that were it not for the contribution of privately owned lands used in conjunction with Federal lands there would be very little value for grazing and game development on the public domain. If it were not for the private lands in this area, wildlife would be extremely scarce due to the unavailability of water on public lands. The area is, however, considered as one of the better regions in the State on which to hunt deer with one of the largest populations of sage grouse in the Nation. The antelope in the area is also abundant. The Idaho Department of Fish & Game have a controlled hunt every year on these elusive animals which is one of the few hunts for antelope in the State. Livestock men have long been proud of the large numbers of wildlife here and have been active in trying to conserve this resource.

Cattlemen in our area are not opposed to the 11-cent increase in grazing fees and would not be opposed to the 10-year increase if the range and forage available for grazing justified an increase. We are of the opinion that present fees represent the value of the forage which exists. This is supported by the closure of three areas of some 750,000 acres in Owyhee County in 1968 due to poor forage and range conditions. It would seem to me a range depleted enough for closure would not command a very high rent if it were private land; however, on public land the regular fee was charged.

Our cattlemen will not object to the justified increase in fees, but we do think that at least one-half of these moneys should be retained from the district from which they are collected to permit greater emphasis on range improvement and management.

We would like to see rangelands improved, for if they were improved, the wildlife habitat would increase through better feed and water. In the Vale District of the BLM, the number of Chuckar partridge was increased markedly by the improvement of water and utilization of feed previously ungrazed by cattle; also, deer areas have improved where cattle have been allowed to graze browse plants, making them less susceptible to typical deer grazing habits.

Deer tend to open browse plants up and graze on the new growth leaving clumps of old wood with all new wood exposed to the deer. Cattle on the other hand tend to close up and browse plants and make them more productive.

This is not a personal opinion, gentlemen. This comes from Gus Ormay, who works at the present time with the Bureau of Land Management, employed by them. This is his theory and I think highly proven.

Our cattlemen are in favor of the multiple use concept and would like to see as many sportsmen and recreationists use the range as possible. More people using public lands will make the range more productive due to the management which will be expected by the increased number of recreationists. We of the Owyhee Cattlemen's Association have sponsored with BLM the classification of public lands for multiple use, and at this point have two-thirds of the county reserved for this purpose with the remaining third to be classified this spring.

I would like to mention at this time that it has been pointed out that we at times pay higher lease rate for the State lands than we do for the Federal land. I would admit that this is true, but there are many circumstances to why this is done. We have more tenure of these lands than we do of the Federal lands. The initiative to develop these lands has been greater, and again something that I do not like has been pointed out in here at all, this is in my area, practically always true. It would be only a very small portion of an entire operation. For this purpose, we or any industry for a portion of their operation can't afford to pay a higher user fee than we do in this case.

Thank you, Mr. Chairman.

(The prepared statement follows:)

STATEMENT OF GENE DAVIS, PRESIDENT, OWYHEE COUNTY CATTLEMEN'S
ASSOCIATION, BRUNEAU, IDAHO

Mr. Chairman, Members of the Committee, My name is Eugene Davis of BrunEAU, Idaho and I represent the Owyhee Cattlemen's Association. My background for this assignment is one of conservation for I am presently a member of

the Advisory Board for the Boise District of the Bureau of Land Management, Chairman of the County Committee for the Agricultural Stabilization and Conservation Service for Owyhee County, past president of the Owyhee Cattlemen's Association, past director of the Idaho Cattlemen's Association, and currently Chairman of the Public Lands Committee for the Idaho Cattlemen's Association. Owyhee County lies in the Southwest corner of Idaho bordering Oregon on the West and Nevada in the South. It encompasses some 4,888,000 acres with 75% of this land controlled by the Bureau of Land Management as we have no forest areas in the county.

My presentation will be centered around the argument for allowing the Grazing Permit cost to be included in the formula used in determining grazing fees which is now a proven and, I think, acknowledged fact by nearly everyone concerned that grazing permits do have a market value. We see no reason why these permits should not be considered in the same category as an irrigation water permit or license. Certainly, I can assure you gentlemen that, without water our arid lands of the west are of very little value for high production purposes and in order to have available irrigation waters an individual land owner in the State of Idaho has paid a considerable sum and in return has received a license or permit to appropriate a given amount of water for a given number of acres.

It is my understanding that water permits are handled in much the same manner in other areas of the nation. By the same token, we who utilize public lands for grazing purposes in Idaho have paid a sum of money for a permit to an original owner and have been licensed by the Bureau of Land Management for a specified number of A.U.M.'s use certainly feel that we have legally purchased something of value, and that this capital investment is, I can assure you, in our opinion, an operational cost. The grazing fee study conducted by the Statistical Research Service for the two Federal Agencies reflects the permit value as \$14.41 per A.U.M. on Bureau of Land Management controlled lands. We accept this as being realistic since we have knowledge of transactions with no base properties involved in which the value ranged from \$7.00 to \$25.00 per AUM.

I have visited with many people from the urban areas or people who have read the newspaper headlines and believe that we livestock operators on federal lands of the west are being subsidized by the federal government because of the low charges made for an animal unit month of grazing.

In an effort to counter this type of thinking, I would like to relate to them the results of the grazing fee study and point out that my main disagreement is not with the study, but the refusal of the Bureau of Land Management to recognize the permit value. When asked to explain my reasons as to why the permit value should be considered, I usually get some understanding by explaining in the following manner: Let us liken my livestock operation with that of a Public Utility. The Utility in this case is asking to raise their rates because of added costs of doing business. In their itemized breakdown of operational costs presented to the Public Utilities Commission, I am sure we would find an item labeled "Interest on Investment". I am also sure that the members of the Commission would not question this item if the interest figure was reasonable. Most utilities would use a figure around six per cent.

Gentlemen, I can see no difference in the relative merits of the example given and my own position as a user of public lands as to the allowance of the interest on investment figure in calculating my cost of utilizing an A.U.M. of feed on federal lands.

Another point I would like to touch upon briefly is that portion of the proposed formula that provides that the base grazing fee be adjusted annually by an index computed from the average rental rates paid by ranchers for private forage in the eleven western states. These rental rates are published annually in "Farm Real Estate Market Developments" by the Economic Research Service. Adjustments in the grazing fee would be made in relation to increase or decrease in rates for the calendar year immediately preceding the new grazing year.

I would like to direct your attention to the very real possibility or almost certainly, that due to the added costs of operating on Federal Ranges and the decreasing desirability of owning a permit, livestock producers will look more favorably to grazing of private lands. This in turn, because of added competition for these lands, will raise the rental rates, and increased rates will be reflected in the Economic Research Report published annually. With this factor included in the formula we fully expect the fee cost to advance at a much more rapid rate

than that projected by the Bureau in their grazing fee analysis. We feel the maximum of \$1.23 per A.U.M. would quite possibly be reached in seven or eight years.

We are very much aware of the popular public thinking that we livestock producers on the western range lands have had almost free use of vast acreages for many years with little or no effort on our part to improve the range. It is understandable that people who are not closely associated with a range livestock operation should feel this way. We would like to repudiate this type of thinking with some facts about user contributions made over the years.

In order to do this I would like to give an example of what has taken place in the area in which I operate. This area of roughly 100,000 acres is used entirely by cattle and wildlife with no sheep. There are seven licensees in this area with approximately 2,500 head of cattle run for an average of six months use on public lands. Until three years ago practically 100% of the improvements in the area were made by the users. Eighty per cent of the available water for livestock, game and fish is located on private land with the twenty per cent available on public land having been developed, as a dollar out of pocket cost, entirely by the users. These efforts and expenses, contributed by users are certainly items which, we feel, should be recognized as definite contributions to a permit value. It is certainly apparent that were it not for the contribution of privately owned lands used in conjunction with federal lands there would be very little value for grazing and game development on the public domain. If it were not for the private lands in this area, wildlife would be extremely scarce due to the unavailability of water on public lands. The area is, however, considered as one of the better regions in the state on which to hunt deer with one of the largest populations of Sage Grouse in the nation. The antelope in the area are also abundant. The Idaho Department of Fish & Game have a Controlled Hunt every year on these elusive animals which one of the few hunts for antelope in the state. Livestock men have long been proud of the large numbers of wildlife here and have been active in trying to conserve this resource.

Cattlemen in our area are not opposed to the eleven cent increase in grazing fees and would not be opposed to the ten year increase if the range and forage available for grazing justified an increase. We are of the opinion that present fees represent the value of the forage which exists. This is supported by the closure of three areas of some 750,000 acres in Owyhee County in 1968 due to poor forage and range conditions. It would seem to me a range depleted enough for closure would not command a very high rent if it were private land; however, on public land the regular fee was charged.

Our cattlemen will not object to the justified increase in fees, but we do think that at least one-half of these monies should be retained in the district from which they are collected to permit greater emphasis on range improvement and management.

We would like to see range lands improved, for if they were improved, the wildlife habitat would increase through better feed and water. In the Vale District of the BLM, the number of Chuckar Partridge was increased markedly by the improvement of water and utilization of feed previously ungrazed by cattle; also, deer areas have improved where cattle have been allowed to graze browse plants making them less susceptible to typical deer grazing habits.

Deer tend to open browse plants up and graze on the new growth leaving clumps and old wood with all new wood exposed to the deer. Cattle on the other hand tend to close up the browse plants and make them more productive.

Our cattlemen are in favor of the multiple use concept and would like to see as many sportsmen and recreationists use the range as possible. More people using public lands will make the range more productive due to the management which will be expected by the increased number of recreationists. We of the Owyhee Cattlemen's Association have sponsored with the BLM the class-county reserved for this purpose with the remaining third to be classified this spring.

We are very conscious of the value of the public lands. The conservation of the range resource is most important to our tenure on these lands for it is felt that with improved range lands no objection will be voiced by recreationists about cattle utilizing the forage; however, if range lands are not conserved, everyone observing cattle utilizing range will demand they be taken off. For these reasons we would like to see more importance placed on the range resource and a general up-grading take place.

Mr. ASPINALL. Do you lease your State lands or get a permit for your State lands?

Mr. DAVIS. We have State leases, sir.

Mr. ASPINALL. Certified for a 10-, 15-, 20-year basis?

Mr. DAVIS. Ten-year leases.

Thank you.

Mr. BARING. That completes our list of witnesses.

The Chair wishes to announce that the record will be held open for 10 days if anybody wishes to submit a statement.

(The committee stands adjourned.)

(Whereupon, at 5 :05 p.m. the subcommittee adjourned.)

APPENDIX

UNITED STATES DEPARTMENT OF AGRICULTURE
 STATISTICAL REPORTING SERVICE
 in cooperation with
 FOREST SERVICE and BUREAU of LAND MANAGEMENT

BUDGET BUREAU NO. - 40-6677
 APPROVAL EXPIRES - 12/31/66
 Item Count - 34

WESTERN LIVESTOCK GRAZING SURVEY 1966
 SURVEY OF FINANCIAL INSTITUTIONS
 LOAN RATES ON PUBLIC GRAZING PERMITS
 (Rev. 9/16/66)

DATE		Starting Time	Ending Time
Month	Day		

Name of Financial Institutions: _____

Address: _____

(Street)

(City)

(County)

(State)

TABLE 1

VALUE of PERMITS on FOREST SERVICE and BLM GRAZING LAND

		National Forest				Bureau of Land Management			
		Average Permit		Range in Permit		Average Permit		Range of Permit	
		Value Per		Values		Value Per		Values	
		Head OR	AUM	From	To	Head OR	AUM	From	To
		(Dollar)	(Dollar)	(Dollars)	(Dollars)	(Dollar)	(Dollar)	(Dollars)	(Dollars)
C a t t l e	1966								
	1965								
	1964								
	1963								
	1962								
S h e e p	1966								
	1965								
	1964								
	1963								
	1962								

ENUMERATOR: _____

TABLE 2

SPECIFIC EXAMPLES OF RECENT ALLOTMENT OR PERMIT SALES TRANSACTIONS

Kind of Permit	Was this BLM or Nat'l Forest Permit	National Forest or BLM District	Ranger District or BLM State	Forest Grazing Allotment or BLM Resource Area	Number of Head of Livestock on Permit
CODE 1 Cattle 2 Sheep (CODE)	CODE 1 BLM 2 Nat'l Forest (CODE)				(NUMBER)

TABLE 3

LOAN VALUE OF PERMITS

	Have public grazing permits or allotments been allowed for collateral by this institution?	IF YES:		
		What percent of the permit sales was allowed in 1965?	What is the highest percent that you allowed in the past?	What legal documents are involved in such a transaction (Use notes if necessary)
	(CHECK)	(PERCENT)	(PERCENT)	
National Forest	YES () NO ()			
BLM	YES () NO ()			

Sales Price of Permit					Was Permit Acquired by Purchase of		Date of Trans- fer	Length of Grazing Season	Usual Date	
Per Head	OR	Per AUM	OR	Total Price	Live- stock	Ranch OR Pro- perty			OFF	ON
(\$)		(\$)		(\$)	(CHECK)		(DATE)	(DAYS)	(DATE)	(DATE)

UNITED STATES DEPARTMENT OF AGRICULTURE
 STATISTICAL REPORTING SERVICE
 in cooperation with
 FOREST SERVICE and BUREAU OF LAND MANAGEMENT

BUDGET BUREAU NO. - 40-6677
 APPROVAL EXPIRES - 12/31/66
 Item Count - 158

WESTERN LIVESTOCK GRAZING SURVEY 1966
 Private Lease

DATE		Starting Time	Ending Time
Month	Day		

Name of Lease Holder

or Tenant.....

ADDRESS:

Street.....

City.....

County.....

State.....

OFFICE USE

Name of Landlord.....

Address.....

If a lease holder has 3 or less private leases, complete a separate questionnaire for each private lease. If more than 3 private leases, see Interviewers Manual for instructions.

Segment and Farm Identification.....

Location of Lease: County

District

State

Type of Livestock Grazed:

1 = Cattle

2 = Sheep

4 = Cattle & Sheep.....

Expansion factor.....

Enumerator:

SECTION I. MOVEMENT AND LOSS OF LIVESTOCK

1. What grazing dates were given in your grazing agreement for your last full grazing season on (Private Leased Land)

Date ON Leased Land		Date OFF Leased Land		CATTLE.....CODE 1 SHEEP.....CODE 2 CATTLE & SHEEP-CODE 4 (ENTER CODE)	Number of head allowed to graze (Number)
Month	Day	Month	Day		

Now we want to talk about your livestock as they actually moved on and off this (Private Leased Land).

CATTLE		NUMBER AND DATES "ON"				DATES "OFF"				NUMBER
		Number ON	Month	CODE	Day	Month	CODE	Day	LOST	
	A03									
3. Total cows (Include cows with calves and dry cows)										
	A04									
4. Weaned Calves (Weaning age to one year old)										
	A05									
5. Yearlings (1 to 2 years old) Excluding cows listed above.										
	A06									
6. Bulls (2 years old and older)										
	A07									
7. Steers (2 years old and older)										

8. How many calves did you take off this (Private Leased Land) during the last full grazing season?.....Number
- (Exclude weaned calves reported above)

A08

<u>SHEEP</u>	NUMBER AND DATES "ON"				DATES "OFF"			NUMBER LOST
	Number ON	Month	CODE	Day	Month	CODE	Day	
9. Total Ewes	A09							
10. Weaned Lambs (Weaning age to one year old)	A10							
11. Yearlings (1 to 2 years old)	A11							
12. Rams (2 years old and older)	A12							
13. Wethers (2 years old & older)	A13							
14. HORSES	A14							

15. How many lambs did you take off this (leased land) during the last full grazing season (excluding weaned lambs reported above)? NUMBER A15

SECTION II. TYPE OF VEGETATION ON GRAZING AREA

A16. What is the total acreage in this lease?.....Acres

B16. Of these (Item A16) _____ acres, how many acres are used for grazing?.....Acres

16. What types of vegetation are on these (Item B16)___ acres of grazing land?

Percent

- | | |
|---|---|
| (1) Wheat Pasture..... | 无 |
| (2) Grain Stubble..... | 无 |
| (3) Seeded Grass..... | 无 |
| (4) Other Cropland Pasture..... | 无 |
| (5) Sagebrush?..... | 无 |
| (6) Salt Desert Shrub (Atriplex, Greasewood)..... | 无 |
| (7) Chaparral (Oakbrush, Mt. Mahogany, Chamise)..... | 无 |
| (8) Creosote bush, (Blackbrush, cactus, etc.)..... | 无 |
| (9) Pinyon Juniper..... | 无 |
| (10) Coniferous Forest Types (Ponderosa Pine, Lodgepole, etc.)..... | 无 |
| (11) Broadleaf Woodland (Aspen, Oaks, Cottonwood-River Bottom)..... | 无 |
| (12) Native Grassland..... | 无 |
| (13) Native Meadowland..... | 无 |
| (14) Other | 无 |

100%

A16

SECTION III. LEASE ARRANGEMENT

- A17. What is the length of this lease?.....Year B07
- A18. What was the total dollars paid for this lease
for the past full grazing season?.....Dols. B08 .00
- B18. Did this Item A18 value include an allowance for any:
- | | CODE | |
|---|------|--|
| crops (including hay).....YES () | 01 | |
| NO () | | |
| Government payments.....YES () | 02 | |
| NO () | | B09 |
| House, barns, feedlots, etc.....YES () | 03 | |
| NO () | | |

If YES is checked for any of the above, ask Item C18 below.

- C18. How much do you consider you paid for just the grazing land?....Dols. B10 .00
19. Does the landlord provide:
- | | CODE | |
|---|------|--|
| (a) Livestock management services.....YES () | 01 | |
| NO () | | |
| (b) Salting service.....YES () | 02 | |
| NO () | | A19 |
| (c) Maintenance of fences, water, and
other improvements.....YES () | 03 | |
| NO () | | |
| (d) Other services.....YES () | 04 | |
| (Specify) NO () | | |

NOTE: If landlord provides all services and these are included in the fees, do not include these services and cost in remaining sections of this questionnaire.

SECTION IV. VETERINARY AND INSECT CONTROL COSTS

Veterinary Costs

20. What was the cost of medicine, excluding vaccines, used while the livestock were on this lease? (Include medicine for pinkeye, foot rot, scours, lump jaw, selenium poisoning, etc.).....Dols. A20 .00
21. What were the veterinarian fees, excluding vaccination, for livestock treated while on this lease?.....Dols. A21 .00

Insect Control Costs

22. What was your cost for pest and insect control?.....Dols. A22 .00
(Include chemicals used in oilers, dipping vats and sprayers.
Include any contract costs.)

- (1) moving livestock to and from the (Leased Land)
- (2) tending, and moving livestock while on the (Leased Land)
- (3) salting and feeding
- (4) hauling water
- (5) water and fence maintenance, etc.
- (6) tending oilers and other pest and insect control maintenance.

I will start by asking about the amount of time worked by you.

[illegible]

SECTION VI. COST OF MOVING LIVESTOCK TO AND FROM THE LEASED LAND

DO NOT INCLUDE the amount of labor or costs paid by the landlord or by an association. If community pasture include approximate proportion share in items below. Use a supplemental page for split season, different species and movement to and from more than one location.

28. Immediately prior to the last full grazing season on this (Leased Land) were these livestock: (Enter Code).....

A28

- 1 = Located on Headquarters Ranch?
 2 = Located on Other Private Lands?
 3 = Located on Public Lands?
 4 = Located on this (Leased Land)?
 5 = Purchased?

If Code 4 was entered
 skip to Item 38

29. Did you move the livestock to the (Leased Land) by: (Check one or more)

- a. () - Contract or hired trucks?...../Ask Item 30/
 b. () - Your Trucks?...../Ask Items in 31/
 c. () - Trail?...../Skip to Item 38/

30. For contract or hired hauling of livestock, what was the total cost of hauling to the (Leased Land)?.....Dols

A30

.00

For livestock hauled to the (Leased Land) in your trucks:

31. Truck Size		What Was The:		
		Number of Trucks Used	Total Trips For All Trucks Used in Col. (a)	Average Miles Per Trip Made
	CODE	(a)	(b)	(c)
32. Under 1 ton 2 Wheel Drive	A32			
33. Under 1 ton 4 Wheel Drive	A33			
34. 1 ton	A34			
35. 1½ ton	A35			
36. 2 ton and Over	A36			
37. Tractor Trailers	A37			

38. At the end of the last full grazing season on this (Leased Land) were these livestock: (Enter Code.....)

A38

- 1 = Moved to Headquarters Ranch?
 2 = Moved to other private lands?
 3 = Moved to public lands?
 4 = Not moved?
 5 = Sold

If Code 4 was entered,
 skip to Item 48

39. Did you move the livestock from the (Leased Land) by: (Check one)

- a. () Contract or hired trucks?.... Ask Item 40
 b. () Your trucks?..... Skip to Item 41-47
 c. () - Trail?..... Skip to Item 48

40. For contract or hired hauling of livestock, what was the total cost of hauling from the (Leased Land)?..Dols.

A40

.00

For livestock hauled from the (Leased Land) by your trucks:

41. Truck Size	CODE	What Was The:		
		Number of Trucks Used	Total Trips For Trucks Used In Col. (a)	Average Miles Per Trip Made
		(a)	(b)	(c)
42. Under 1 ton 2-Wheel Dr.	A42			
43. Under 1 ton 4-Wheel Dr.	A43			
44. 1 Ton	A44			
45. 1½ Ton	A45			
46. 2 ton and Over	A46			
47. Tractor Trailers	A47			

SECTION VII. SALTING AND SUPPLEMENTAL FEEDING COST

If Item 19d on Page 4 is checked "YES", DO NOT INCLUDE in Item 48 the amount of salt or its cost paid by the landlord.

48. Did you feed plain () or mineralized () salt?

None fed () Skip to Item 50

49. What was the amount fed?	Unit	Price per Unit	OR	Total Cost
(a)	(b)	(c)		(d)
	50 lb. block or bag	_____		_____
	CWT.	_____		_____
	Ton	_____		_____

A49 .00

50. Did you feed any supplements or hay on this (Private Leased Land) during the period (Item 1 dates)? (Exclude creep feeding)

If NO (), skip to Item 52.

If YES (), continue below.

51. What types of supplements or hay were fed?	Number of Days of Supplemental Feeding (Days)	Amount Fed			Cost		
		Pounds Fed Per Day (lbs.)	OR	For Season Amount	Price Per Unit		Total Cost
					(Dol. & cents)	Code lbs..1 cwt..2 tons.3 OR Code lbs..1 cwt..2 tons.3	
(a)	(b)	(c)		(d)	(e)		(f)
					_____		_____
					_____		_____
					_____		_____
					_____		_____
					_____		_____
					_____		_____

A51 .00

SECTION VIII. WATER COSTS

PUMPING COST

52. On this (leased land) during the last full grazing period, did you have any fuel or electricity costs for pumping water?

If YES () what was the cost of fuel or electricity for pumping water on the (leased land) during this period?.....dols.

A52 .00

If NO () ask Item 53.

WATER HAULING

53. On this (leased land) during the last full grazing period did you have any water hauling costs?

If YES () ask Item 54.

If NO () skip to Item 64.

54. Was water hauled to your livestock by: (Check)

a. () - Hired or Contracted Trucks?----- Ask Items 55 and 63.

b. () - Your trucks?----- Ask Items 56 - 63.

55. For contract or hired hauling of water, what was the total hauling cost?.....dols.

A55 .00

For Trucks Used To Haul Water

Truck Size	CODE	What Was The:		
		Number of Trucks Used	Total Trips For All Trucks Used In Col. (a)	Average Miles Per Trip Made
		(a)	(b)	(c)
57. Under 1 Ton 2-Wheel Drive	A57			
58. Under 1 Ton 4-Wheel Drive	A58			
59. 1 Ton	A59			
60. 1½ Ton	A60			
61. 2 ton and over	A61			
62. Tractor Trailers	A62			

WATER PURCHASE COST:

63. What was the purchase cost of the hauled water and other expenses relating to this water?.....dols.

A63 .00

SECTION IX. TRUCK AND CAR COSTS

63. What kind of vehicles did you use in going to the (leased land)? Do not include trucks reported previously for hauling livestock and water.

64.	TYPE	No. of Trips	Average Miles Per Trip	or	Total Miles	Cost Per Mile
	CODE	(a)	(b)		(c)	(d)
65.	Under 1 Ton 2-Wheel Dr.	A65				
66.	Under 1 Ton 4-Wheel Dr.	A66				
67.	1 Ton	A67				
68.	1½ Ton	A68				
69.	2 Ton and Over	A69				
70.	Tractor Trailer	A70				
71.	AUTOMOBILE	A71				
72.	OTHER	A72				

73. What is the round-trip distance from the ranch headquarters to the (Private Leased Land)?Miles

A73

SECTION X. HORSE COSTS

74. How many horses were used for moving livestock to and from and within this (leased land) during the grazing period?Number

A74

75. What percent of the yearly use of these (Item 74) horses should be allocated as use on this (leased land)?Percent

A75

SECTION XI. MAINTENANCE COSTS

If Item 19C on Page 4 is checked YES, do not include in Items 76-89 any costs paid by the landlord.

"Now I have some questions about maintenance within the (leased land) on:

(1) wells, (2) stock ponds (tanks), (3) springs and (4) fences

First I want to talk about the types of facilities, then we will discuss the cost of repairs, other material and equipment for the last grazing season."

76. On this (leased land) do you have:

Facilities	Check	CODE	If YES How many (Number)	Average:					
				Depth (Feet)	Size of Casing (Inches)	Number of Storage Tanks	Number of Troughs	Miles of Pipe	Size (Acre feet)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Water	YES ()	A77							
77. Wells with gas power pumps	NO ()								
78. Wells with diesel power pumps	YES ()	A78							
	NO ()								
79. Wells with electric power pumps	YES ()	A79							
	NO ()								
80. Wells with wind mills	YES ()	A80							
	NO ()								
81. Stock ponds (tanks)	YES ()	A81							
	NO ()								
82. Improved springs	YES ()	A82							
	NO ()								
Fence			(Miles)						
83. Barbed Wire Fence	YES ()	A83							
	NO ()								
84. Woven Wire Fence	YES ()	A84	(Miles)						
	NO ()								

Water Maintenance Costs

85. What was your cost of materials to maintain
and clean wells, stock ponds and springs?.....Dols. A85 .00
86. What were your costs of bulldozers and other equipment
used on water maintenance?.....Dols. A86 .00
87. What other costs did you have in maintaining stock ponds,
wells, and springs on the (leased land) during the
last grazing season?.....Dols. A87 .00

Fence Maintenance Costs

88. What was your cost of materials and equipment to maintain
this fence during the last grazing season? (Do not include
truck costs).....Dols. A88 .00

Other Costs

89. Did you have any costs, other than those we have talked about, on
this (leased land) during the period (Item 1) (Date) to (Date) .
If YES () Specify _____ Dols. A89 .00
If NO () Go to Section XIII.

SECTION XII. RANGE DEVELOPMENTS

90. Have you made any investments in water developments, range developments, fencing, roads, corrals or any other developments on this (Leased Land) since 1946?

If NO (), CONCLUDE INTERVIEW.

If YES (), complete worksheets below.

[illegible]

UNITED STATES DEPARTMENT OF AGRICULTURE
 STATISTICAL REPORTING SERVICE
 in cooperation with
 FOREST SERVICE and BUREAU of LAND MANAGEMENT

BUDGET BUREAU NO. - 40-6677
 APPROVAL EXPIRES - 12/31/66
 Item Count - 175

WESTERN LIVESTOCK GRAZING SURVEY 1966

Federal Grazing

DATE		Starting Time	Ending Time
Month	Day		

Name of Permit Holder: _____

Address:

(Street or RFD) _____

(City) _____

(County) _____

(State) _____

OFFICE USE

Agency Issuing Permit: () - Forest Service
 () - Bureau of Land Management

Allotment Name or Public Grazing Area _____

Forest Service Region (BLM Code 99).....

National Forest or BLM District (_____)..

Name

Ranger District or BLM State Code.....

Forest Grazing Allotment or BLM Resource Area.....

Type of Permit...1 = Cattle 2 = Sheep 4 = Cattle & Sheep.....

Transfer Code.....

Sequence Number.....

ENUMERATOR: _____

File

--

SECTION I. MOVEMENT AND LOSS OF LIVESTOCK

1. What were the dates given on your permit or license for your last full grazing season on (Allotment Name).

Date ON Allotment		Date OFF Allotment		CATTLE.....CODE 1 SHEEP.....CODE 2 CATTLE & SHEEP-CODE 4 (ENTER CODE)	Number of head permitted or licensed (Number)
Month	Day	Month	Day		

If this is a BLM allotment, ask the following question.

2. On this allotment what is the percentage of federal use?.....Percent

A02

Now we want to talk about your livestock as they actually moved on and off this (Allotment Name).

CATTLE	NUMBER AND DATES "ON"				DATES "OFF"			NUMBER LOST
	Number ON	Month	CODE	Day	Month	CODE	Day	
3. Total cows (Include cows with calves and dry cows)	A03							
4. Weaned Calves (Weaning age to one year old)	A04							
5. Yearlings (1 to 2 years old) Excluding cows listed above.	A05							
6. Bulls (2 years old and older)	A06							
7. Steers (2 years old and older)	A07							

8. How many calves did you take off this allotment during the last full grazing season?.....Number
(Exclude weaned calves reported above)

A08

SHEEP	NUMBER AND DATES "ON"				DATES "OFF"				NUMBER LOST
	Number ON	Month	CODE	Day	Month	CODE	Day		
9. Total Ewes	A09								
10. Weaned Lambs (Weaning age to one year old)	A10								
11. Yearlings (1 to 2 years old)	A11								
12. Rams (2 years old and older)	A12								
13. Wethers (2 years old & older)	A13								
HORSES	A14								
14. (Include only horses under permit or license)									

15. How many lambs did you take off this allotment during the last full grazing season (excluding weaned lambs reported above)? NUMBER A15

SECTION II. TYPE OF VEGETATION ON GRAZING AREA

16. What type of vegetation is on this grazing allotment?

CODE

- (1) Sagebrush?.....
- (2) Salt Desert Shrub (Atriplex, Greasewood).....
- (3) Chaparral (Oakbrush, Mt. Mahogany, Chamise).....
- (4) Creosote bush, (Blackbrush, cactus, etc.).....
- (5) Pinyon Juniper.....
- (6) Coniferous Forest Types (Ponderosa Pine, Lodgepole, etc.).....
- (7) Broadleaf Woodland (Aspen, Oaks, Cottonwood-River Bottom).....
- (8) Native Grassland.....
- (9) Native Meadowland.....
- (10) Other -Explain in detail.....

PERCENT

	%
	%
	%
	%
	%
	%
	%
	%
	%
	%

100%

A16	
-----	--

SECTION III. ASSOCIATION FEES

17. Do you pay a grazing association for livestock management on

(allotment name or public grazing area)

If YES (), ask Items 18 and 19 below.

If NO (), skip to Item 20.

18. How much were your grazing association fees?
-
- (Enter amount in either a, b, or c)

	Cattle	Sheep
a. Total Dollars.....	\$. -	\$. -
b. Dollars Per Head Per Month.....	\$. -	\$. -
c. Dollars Per Head Per Season.....	\$. -	\$. -

A18 . -

19. What expenses does the association fee cover? (Check items covered)

Code

- a. () 1 - Federal Grazing Fee
- b. () 2 - Full time herder(s) or rider(s)
- c. () 3 - Seasonal movement of livestock (round-up)
- d. () 4 - Salting
- e. () 5 - Water development maintenance
- f. () 6 - Fence maintenance
- g. () 7 - Other (Specify) _____
- () 7 - Other (Specify) _____

A19

If any of the above operations were checked, review the questions relating to this operation on the following pages. Do not ask questions about an operation if the association fee covers ALL the expenses for that operation.

SECTION IV. VETERINARY and INSECT CONTROL COSTS

Veterinary Costs

20. What was your cost of medicine, excluding vaccines, used while the livestock were on this allotment? (Include medicine for pinkeye, foot rot, scours, lump jaw, selenium poisoning, etc.).....Dols.
21. What were the veterinarian fees, excluding vaccination, for livestock treated while on this allotment?.....Dols.

A20 .00

A21 .00

Insect Control Cost

22. What was your cost for pest and insect control for livestock while on this allotment? (Include chemicals used in oilers, dipping vats and sprayers. Include any contract costs.).....Dols.

A22 .00

- (1) moving livestock to and from the allotment
- (2) tending, and moving livestock while on the allotment
- (3) salting and feeding
- (4) hauling water
- (5) water and fence maintenance, etc.
- (6) tending oilers and other pest and insect control maintenance.

I will start by asking about the amount of time worked by you.

23.	Labor (Enter each different hiring arrangement on a separate line)	Number of Workers	Total Number Of:	Paid by the:	Rate Paid Per Col. (c) Unit	Did you furnish any items in addition to cash wages?			
			Months = 2 weeks = 3 Days = 4 Hours = 5	1=Unpaid 2=Month 3=Week 4=Day 5=Hour		YES=1 NO =0	If YES, enter code. Enter estimated dollar value for last full grazing season, if known by respondent		
			Worked On Allotment						
			Number of Units	Code	(Enter Code)	(Dollars & Cents)	CODE	CODE	DOLS. PER SEASON
		(a)	(b)	(c)	(d)		(e)		
24. OPERATOR....	A24	1			1	0			
25. FAMILY LABOR.....	A25					.			
26. REGULAR HIRED LABOR (Include riders, herders, ranch hands, others.	A26					.			.00
						.			.00
						.			.00
						.			.00
27. DAY IABOR: (Include riders, herders, ranch hands, others	A27					.			.00
						.			.00
						.			.00
						.			.00

SECTION VI. COST OF MOVING LIVESTOCK TO AND FROM THE ALLOTMENT

If Item 19c on Page 4 was checked, DO NOT INCLUDE the amount of labor or costs paid by the association. If community allotment, include approximate proportion share in items below. Use a supplemental page for split season, different species and movement to and from more than one location.

28. Immediately prior to the last full grazing season on this allotment were these livestock: (Enter Code).....

A28

- 1 = Located on Headquarters Ranch?
 2 = Located on Other Private Lands?
 3 = Located on Other Public Lands?
 4 = Located on this allotment?
 5 = Purchased?

If Code 4 was entered
 skip to Item 38

29. Did you move the livestock TO THE ALLOTMENT by: (Check one or more)

- a. () - Contract or hired trucks?...../Ask Item 30/
 b. () - Your Trucks?...../Ask Items in 31/
 c. () - Trail?...../Skip to Item 38/

30. For contract or hired hauling of livestock, what was the total cost of hauling TO THE ALLOTMENT?.....Dols.

A30

.00

For livestock hauled TO THE ALLOTMENT in your trucks:

31. Truck Size	What Was The:		
	Number of Trucks Used	Total Trips For All Trucks Used In Col. (a)	Average Miles Per Trip Made
	CODE	(a)	(c)
32. Under 1 ton 2 Wheel Drive	A32		
33. Under 1 ton 4 Wheel Drive	A33		
34. 1 ton	A34		
35. 1½ ton	A35		
36. 2 ton and Over	A36		
37. Tractor Trailers	A37		

38. At the end of the last full grazing season on the allotment were these livestock: (Enter Code).....

A38

A38

- 1 = Moved to Headquarters Ranch?
 2 = Moved to other private lands?
 3 = Moved to other public lands?
 4 = Left on Allotment?
 5 = Sold?

If Code 4 was entered,
 skip to Item 48

39. Did you move the livestock FROM THE ALLOTMENT by: (Check one or more)

a. () - Contract or hired trucks?..... Ask Item 40

b. () - Your trucks?..... Skip to Item 41-47

c. () - Trail?..... Skip to Item 48

40. For contract or hired hauling of livestock, what was the total cost of hauling FROM THE ALLOTMENT?.....Dols.

A40

.00

For livestock hauled FROM THE ALLOTMENT by your trucks:

41. Truck Size		What Was The:		
		Number of Trucks Used	Total Trips For Trucks Used in Col. (a)	Average Miles Per Trip Made
	CODE	(a)	(b)	(c)
42. Under 1 ton 2 Wheel Drive	A42			
43. Under 1 ton 4 Wheel Drive	A43			
44. 1 ton	A44			
45. 1½ ton	A45			
46. 2 ton and over	A46			
47. Tractors Trailers	A47			

SECTION VII. SALTING AND SUPPLEMENTAL FEEDING COST

If Item 19d on Page 4 is checked "YES". DO NOT INCLUDE in Item 48 the amount of salt or its cost paid by the association.

48. Did you feed plain () or mineralized () salt?

None fed () -/Skip to Item 50./

49. What was the amount fed? (last full season)	Unit	Price per Unit	OR	Total Cost
(a)	(b)	(c)		(d)
	50 lb. block or bag	_____		_____
	CWT.	_____		_____
	Ton	_____		_____

449 _____ .00

50. Did you feed any supplements or hay on this grazing allotment during the period (Item 1 dates)? (Exclude creep feeding)

If NO (), skip to Item 52.

If YES(), continue below.

51. What types of supplements or hay were fed?	Number of Days of Supplemental Feeding (Days)	Amount Fed			Cost		
		Pounds Fed Per Day (lbs.)	OR	For Season		Price Per Unit (Dol. & cents)	Total Cost (Dol. & cents)
				Amount	Code lbs..1 cwt..2 tons.3		
(a)	(b)	(c)		(d)		(e)	(f)
						_____	_____
						_____	_____
						_____	_____
						_____	_____
						_____	_____
						_____	_____

451 _____ .00

SECTION VIII. WATER COSTS

PUMPING COST

52. On this grazing allotment during the last full grazing period, did you have any fuel or electricity costs for pumping water?

If YES () what was the cost of fuel or electricity for pumping water on the grazing area during this period?.....dols. A52 .00

If NO () ask Item 53.

WATER HAULING

53. On this grazing allotment during the last full grazing period did you have any water hauling costs?

If YES () ask Item 54.

If NO () skip to Item 64.

54. Was water hauled to your livestock by: (Check)

a. () - Hired or Contracted Trucks?----- /Ask Items 55 and 63./

b. () - Your trucks?----- /Ask Items 56 - 63./

55. For contract or hired hauling of water, what was the total hauling cost?.....dols. A55 .00

For Trucks Used To Haul Water

Truck Size	CODE	What Was The:		
		Number of Trucks Used	Total Trips For All Trucks Used In Col. (a)	Average Miles Per Trip Made
		(a)	(b)	(c)
57. Under 1 Ton 2-Wheel Drive	A57			
58. Under 1 Ton 4-Wheel Drive	A58			
59. 1 Ton	A59			
60. 1½ Ton	A60			
61. 2 ton and over	A61			
62. Tractor Trailers	A62			

WATER PURCHASE COST

63. What was the purchase cost of the hauled water and other expenses relating to this water?.....dols. A63 .00

SECTION IX. TRUCK AND CAR COSTS

63. What kind of vehicles did you use in going to the allotment? Do not include trucks reported previously for hauling livestock and water.

64.	TYPE	No. of Trips	Average Miles Per Trip	or	Total Miles	Cost Per Mile
	CODE	(a)	(b)		(c)	(d)
65. Under 1 Ton 2-Wheel Dr.	A65					
66. Under 1 Ton 4-Wheel Dr.	A66					
67. 1 Ton	A67					
68. 1½ Ton	A68					
69. 2 Ton and Over	A69					
70. Tractor Trailer	A70					
71. AUTOMOBILE	A71					
72. OTHER	A72					

73. What is the round-trip distance from the ranch headquarters to the grazing allotment?.....Miles

A73

SECTION X. HORSE COSTS

74. How many horses were used for moving livestock to and from and within this allotment during the grazing period?.....Number

A74

75. What percent of the yearly use of these (Item 74) horses should be allocated as use on this allotment?.....Percent

A75

SECTION XI. MAINTENANCE COSTS

If Item 19e or 19f on Page 4 is checked, DO NOT INCLUDE in Items 76-89 any costs paid by the association.

"Now I have some questions about maintenance within the grazing allotment on:

(1) wells, (2) stock ponds (tanks), (3) springs and (4) fences.

First I want to talk about the types of facilities, then we will discuss the cost of repairs, other material and equipment for the last grazing season."

76. On this allotment do you have:

Facilities	Check	CODE	If YES How many (Number)	Average:					
				Depth (Feet)	Size of Caging (Inches)	Number of Storage Tanks	Number of Troughs	Miles of Pipe	Size (Acre Feet)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Water									
77. Wells with gas power pumps	YES () NO ()	A77							
78. Wells with diesel power pumps	YES () NO ()	A78							
79. Wells with electric power pumps	YES () NO ()	A79							
80. Wells with wind mills	YES () NO ()	A80							
81. Stock ponds (tanks)	YES () NO ()	A81							
82. Improved springs	YES () NO ()	A82							
Fence			(Miles)						
83. Barbed Wire Fence	YES () NO ()	A83							
84. woven Wire Fence	YES () NO ()	A84	(Miles)						

Water Maintenance Costs

85. What was your cost of materials to maintain and clean wells, stock ponds and springs?.....Dols. A85 .00
86. What were your costs of bulldozers and other equipment used on water maintenance?.....Dols. A86 .00
87. What other costs did you have in maintaining stock ponds, wells, and springs on the grazing allotment during the last grazing season?.....Dols. A87 .00

Fence Maintenance Costs

88. What was your cost of materials and equipment to maintain this fence during the last grazing season? (Do not include truck costs).....Dols. A88 .00

Other Costs

89. Did you have any costs, other than those we have talked about, on this grazing allotment during the period (Item 1) (Date) to (Date).
If YES () Specify: _____ Dols. A89 .00
If NO () Go to Section XIII.

SECTION XII. RANGE DEVELOPMENTS

"Now I have some questions on the range developments that you have made on (Allotment Name). Include investments made on private lands within this allotment which were necessary for public land use. Exclude ASC payments from reported costs."

90. Have you made any investments in water developments, range developments, fencing, roads, corrals or any other developments on this allotment since 1946?

If NO (), skip to Section XIII.

If YES (), complete worksheets below.

Type of Development	CODE	New Developments Made By You Since 1946						L I N E
		Year Developed	Number	Miles=1 Acres=2	Dollars you invested (including hired labor costs)	Hours of unpaid labor incl. operator and other unpaid labor	Is this development on: CODE Federal Land = 1 Other Land = 2	
		(a)	(b)	(c)	(d)	(e)	(f)		(g)
Development Code	C --				.00			1
Wells.....01	C --				.00			2
Springs.....02	C --							
Ponds.....03	C --				.00			3
Fence.....04	C --							
Roads.....05	C --				.00			4
Corrals.....06	C --							
Oilers.....07	C --				.00			5
Dipping Vats...08	C --							
Seeding.....09	C --				.00			6
Spraying.....10	C --							
Other.....11 (Specify in Notes)	C --				.00			7
	C --				.00			8

	If Code 2 in Col. (f) ask: "Was this made exclusively for use of this allotment?" CODE YES=1 - Skip to 92/ NO =0 - Go to Col. (i)	If NO in Col. (h) ask: "Was other use for: CODE irrigating!.....1 other!.....2	If Code 1 in Col. (i) ask: "During an average season, what percent of the total pumping time is for irrigation?" (PERCENT)	If Code 2 in Col. (i) ask: "What percent of this (development) was made specifically for use of this allotment?" (PERCENT)
	(h)	(i)	(j)	(k)
1				
2				
3				
4				
5				
6				
7				
8				

SECTION XIII. COST OF GRAZING ALLOTMENT PERMIT THAT HAS BEEN TRANSFERRED

Ask Items 92-97 only when the first digit of the transfer code on the face sheet is "2". Otherwise, skip to Item 102.

"I would now like to ask about the cost of your allotment permit. If this permit or any portion of it was acquired during the last five years, I need to ask some questions about the transfer. If more than one transfer took place since 1960, I want to discuss only the latest transfer."

92. In what year was latest purchase made?.....Year

A92

93. Was the permit purchased	Code	Cost of Permit	Cost Of Livestock	Cost of Ranch
		(a)	(b)	(c)
94. With Ranch & Livestock	A94	.00	.00	.00
95. With Livestock	A95	.00	.00	
96. With Ranch	A96	.00		.00
97. Separately	A97	.00		

Was the cost reported for Items 93 - 97
from the ranchers records.....()
estimated.....()

98. Were there any other considerations in the transfer of this grazing permit?

If YES, () specify: _____

Cost of this
consideration....dols.

A98

.00

If NO, () ask Item 99.

99. Was this transfer: (Check One)

a. Your total permit on this allotment?.....() Skip to Item 102.

b. Only a portion of your total permit on this allotment () Ask Item 101.

On the portion of the permit that was transferred, what was the:

101. B01	Total Number of Head	or	Total AUM's	Season Of Use	
	(a)		(b)	Date ON (c)	Date OFF (d)

SECTION XIV. POTENTIAL FOR INCREASED USE OF FEDERAL RANGE LAND

"My last two questions concern your over-all ranching operation."

102. If additional range was made available on Federal range land through improvements, would you:

A. Graze more animals?

If YES (): How many more would you graze with your present base ranch?.....

B02

At what season of the year would you want to graze these additional animals?

DATE "ON"			DATE "OFF"		
Day	Month	Code	Day	Month	Code
B03					

Continue with "B" below.

If NO (), ask "B" below.

- B. Graze your present number of animals for a longer season?

If YES (), ask "At what season of the year would you want to graze your animals?"

DATE "ON"			DATE "OFF"		
Day	Month	Code	Day	Month	Code
B04					

If NO (), CONCLUDE INTERVIEW.

Oregon Legislative Assembly—1969 Regular Session

ENROLLED HOUSE JOINT MEMORIAL 12

(Sponsored by Representatives Davis, Hart, Stathos, Senator Newbry, Representatives, Browne, Detering, Dugdale, Heard, Johnson, Kennedy, Martin, Meeker, Priestley, Ripper, Skelton, Willits, M. Keith Wilson, Senators Dement, Inskeep, Ireland, McKay, Ouder Kirk, Raymond, Yturri)

To the Honorable SECRETARY OF AGRICULTURE AND SECRETARY OF INTERIOR:

We, your memorialists, the Fifty-fifth Legislative Assembly of the State of Oregon, respectfully represent as follows:

Whereas the agricultural sector of this nation's economy is undergoing a period of recession; and

Whereas the increase in the fees for grazing on public lands that has been proposed by the Department of Agriculture and the Department of Interior would have such detrimental economic impact on the livestock industry that the entire profit margin in many livestock operations would be removed; now, therefore, Be it

Resolved by the Legislative Assembly of the State of Oregon: (1) The Secretary of Agriculture and the Secretary of Interior are memorialized to refrain from implementing the recently proposed increases in fees for grazing on public lands.

(2) The Chief Clerk of the House of Representatives shall send a copy of this memorial to the Secretary of Agriculture, the Secretary of Interior and to each member of the Oregon Congressional Delegation.

Adopted by House February 17, 1969.

Chief Clerk of House.
 ROBERT F. SMITH,
Speaker of House.

Adopted by Senate February 26, 1969.

E. D. POTTS,
President of Senate.

 HOUSE OF REPRESENTATIVES,
 Boise, Idaho, April 7, 1969.

HON. JOHN W. MCCORMACK,
Speaker of the House of Representatives,
Capitol Building, Washington, D.C.

DEAR MR. SPEAKER: I am directed by the First Regular Session of the Fortieth Legislature of the State of Idaho to transmit to you House Joint Memorial No. 3 by the Ways and Means Committee.

A duplicate original of the Memorial is enclosed.

Respectfully,

JAMES BLAINE BLAKE, *Chief Clerk.*

IN THE HOUSE OF REPRESENTATIVES, HOUSE JOINT MEMORIAL NO. 3, BY WAYS
 AND MEANS COMMITTEE

*A Joint Memorial to the Honorable Senate and House of Representatives of the
 United States in Congress Assembled:*

We, your Memorialists, the Senate and House of Representatives of the State of Idaho assembled in the Fortieth Session thereof, do respectfully represent that:

Whereas, the range livestock industry is a major industry of the State of Idaho; and

Whereas, the public lands comprise at least two-thirds of the land area of the State of Idaho; and

Whereas, the range livestock industry is dependent upon such public lands for grazing; and

Whereas, the proposed increased grazing fees upon such public lands shall cause great economic hardship and business failures within such range livestock industry. Now, therefore, be it

Resolved by the Senate, the House of Representatives concurring, That we most respectfully request that the Congress of the United States direct and require the Department of Agriculture and the Department of Interior to hold in abeyance all increases in the rates to be charged as grazing fees upon the public land until such time as Congress has had sufficient time to study and review the final report of the Public Land Law Review Commission: Be it further,

Resolved, That the Clerk of the House of Representatives be, and he is hereby authorized and directed to forward copies of this Memorial to the leadership of the Senate and House of Representatives of the United States, and to the members of the Idaho Congressional Delegation.

STATEMENT OF MR. VICTOR HANSON, JR., PRESIDENT OF THE COLORADO CATTLEMEN'S ASSOCIATION

My name is Victor Hanson, Jr., I am president of the Colorado Cattlemen's Association and a member of the Colorado Cattlemen's Association Federal Lands Committee, 4675 Lafayette, Denver, Colorado. I own and operate a ranch at Walden, Colorado. Four thousand, one-hundred thirty six cattlemen and feeders are members of the Colorado Cattlemen's Association and are affiliated with Colorado's 72 local cattle associations.

The board of control of the Colorado Cattlemen's Association has requested that I represent the association here today and represent in particular 2,840 federal land permittees of Colorado. Colorado federal land permittees for the most part are small family sized units. The average stockman who runs in conjunction with the federal land permits has an average of approximately 287 head.

Annually, the U.S. Department of Agriculture statistical reporting service prepares parity figures for our association. These annual reports, since 1951 through 1968, show that the Colorado producer has operated under conditions whereby he has received less than 100% parity. In the last five years his parity figures have ranged in the 70% bracket. In 1968 Colorado's parity figure as shown by the U.S. Department of Agriculture statistical reporting service was 77% of parity. Throughout this period we have had skyrocketing costs with livestock prices remaining constant. For the majority of our producers in Colorado, and this is particularly true of our permit operators, it has been nip and tuck whether or not we can stay in business.

As president, I have had an opportunity to talk to many of these permittees. Unless you have personally had this opportunity, you can't imagine the sincere concern that was generated when grazing fee increases were announced in the January 14, 1969, issue of the Federal Register. Since this date, we have held numerous meetings throughout the Federal land areas of Colorado. Reviewing the basis of these proposed fee increases and how they came about, our association has taken a unanimous stand in objecting to these increases, as well as the method used in determining these increases.

When the 1966 western livestock grazing survey was proposed, our industry in Colorado realized that attempting to develop a formula to compare forage values under the permittee system with forage values of private deeded land was going to be extremely difficult since it is like comparing oranges and apples. When a man leases pasture on deeded land he does so with certain guarantees, such as definite grazing period, many times a guaranteed gain per month, maintenance of fences, water development, guarantee from death loss and many other factors. When a stockman assumes a permit he doesn't have any of these guarantees. No one assures him of a guaranteed monthly gain or a guarantee against certain death loss. He takes his chances as to the grazing period, develops his own water, etc. Besides these factors, cattlemen just can't go out and lease a permit like they would lease a deeded land pasture.

First of all, before he can qualify for a permit, he must have a designated number of acres of commensurate property or base property. In addition, he must meet a number of other requirements that a private lessee doesn't have to meet. Since this commensurate or base property is tied to the permit, the property tax on his base property is much higher than if he operated under private conditions as in eastern Colorado. He has to maintain and develop adequate water, he must maintain fences and manage his cattle in conjunction with multiple use on the Federal land he uses. For example: our public domain

on BLM land in Colorado was of little economic value until stockmen were encouraged by our Government to settle these areas, develop our base properties and to develop improvements such as water development, grass seeding, etc. on our public domain. In most cases these developments were paid by the user who in return had only the privilege of harvesting the forage at a fee.

Referring back to the 1966 western livestock grazing survey, our industry felt that the points agreed to between the user and the Government agencies would be sufficient to adequately and favorably compare forage values on Federal lands and deeded lands. From our studies, when the Federal agencies, after the survey was completed, deleted certain items, it completely distorted the comparison between these two types of grazing situations. We feel the results of the study established that, based upon a comparison of total non-fee public and private grazing costs for Bureau of Land Management Lands, an average fee increase of 10 cents per AUM, or a 30 percent increase appears to be justified by equating the current fee levels with the full economic value of the forage for BLM. However, the study did not reflect most of the costs to the permittee of providing public benefits.

Similarly, in contrast to the statement by the U.S. Forest Service, the results of the 1966 western livestock grazing survey failed to justify any increases in Forest Service grazing fees. In fact, the study established that Forest Service permittees on the average were paying more than full economic value for an AUM of forage in 1966.

Therefore, if all points of comparison that were originally established, would have been followed in establishing a new fee structure by our two departments, we would have been comparing like situations which would have resulted in a fair fee structure under which the industry could survive. As it stands today all the factors obtained in the 1966 survey were not all followed, resulting in a fee structure that is disastrous to the industry.

We feel that the economic impact that will be brought about if the present two Departments' philosophy by which they established their present fee structure becomes an accepted fact, would be as follows:

A. A net decapitalization or a 30- to 50-percent loss in equity of our real property including a total loss in market value of our grazing permit which has been capitalized into our total ranching operation would be a reality. Such reduction in real property values would break present land values because potential buyers of these ranches could no longer justify paying the price which they have in the past, simply because of the increased costs of production and reduced loan value that would result from the non-recognition of a grazing permit.

B. A substantial loss in ranch equity and increased operating expenses, resulting from the failure to recognize the dollar value of the permit as a cost of running livestock on federal lands, would force many range livestock operators to liquidate, forcing in turn livestock lending institutions involved to critically evaluate whether they could justify extending short term, intermediate, or long term credit to livestock operations dependent upon the use of federal grazing lands any longer.

C. This grazing fee proposal would result in the loss of millions of dollars to local businesses and governments, dependent upon a healthy and economically stable livestock industry.

We in Colorado appeal to the two Departments, Interior and Agriculture, to suspend or delay portions of the new regulations which set automatic fee increases beginning 1969 and thereafter. We are looking to this committee and to Congress with help of recommendations from the public land law review commission to provide updated legislative guidelines relating to grazing fees, tenure, access and the many other complex issues affecting the future of the western livestock industry and the local communities and counties which depend on the livestock industry for a great part of their existence.

We appreciate this opportunity to express the thinking of the Colorado Livestock Industry and appeal to this committee for an adjustment in this fee structure that will allow our industry to exist in the future and in particular during this crucial time of low prices. Thank you, Mr. Chairman.

STATEMENT OF VERNON METCALF, REPRESENTING WESTERN LIVESTOCK
ORGANIZATION

My name is Vernon Metcalf, now retired but former Forest Service ranger, supervisor regional forester; Nevada, livestock association secretary; Nevada

Central Committee of State Grazing Boards consultant and former manager, secretary-treasurer, of the Nevada Livestock Production Credit Association.

The statement which follows, "THE GRAZING FEE PROBLEM" is made on behalf of Western Industry Organization.

THE GRAZING FEE PROBLEM

A main, if not the main, cause of this problem, as matters now stand, seems quite clearly to be that having, in effect, been directed by the Director of the Federal Budget Bureau (FBB) to do so, Federal officials, consisting of the heads of the Interior Department (ID), the Department of Agriculture (DA), the Bureau of Land Management (BLM) and the Forest Service (FS), have set out to henceforth apply a so-called Fair Market Value policy in their fixing of fee rates for the private enterprise, stockraising-agricultural use of the livestock forage crop resource values of livestock grazing used Federal Grazing District (FGD) and Forest Service (FS) grazing lands.

In this connection, it quite clearly looks like the authority for the said FBB officials to prescribe the said policy for the said ID, DA, BLM and FS agencies to follow in this matter, comes from a provision of a long obscure Act, enacted by the Congress as Title V of the Independent Offices Appropriation Act of 1952 under the heading of Fees and Charges of Federal Agencies-Reference: U.S. Code 1964, Section 140, Pages 254-255, which places the said policy making authority in the hands of the President, who appears to have delegated it to the said FBB of his executive department.

The said Fair Market Value fee rate fixing policy is claimed, in a joint BLM and FS press release of mid-November, 1968, to be one laid down in an FBB Circular A-25 of September 23, 1959, issued to the Heads of Executive Departments and Establishments, the Subject being User Charges.

In that FBB Circular, there are many different kinds of instructions for such federal officials to follow.

Those which it quite clearly looks like the FBB officials have called upon the said ID, DA, BLM and FS agency officials to follow, in the fixing of fee rates such as those here concerned, on page 2 of the said FBB circular, seem to include ideas or principles such as the following:

1. That the fee rate charge should be made at levels sufficient to recover the full cost to the Federal Government of rendering the service or, in this case, of granting the grazing privilege concerned.
2. That where federally owned resources are leased or sold, a fair market value should be obtained.
3. That the charges concerned are to be determined so far as practicable and feasible, in accordance with comparable commercial practices.
4. That the said charges need not be limited to the recovery of service costs to the Government and that, instead, they may be such as to produce net revenue to the Government.

Regarding the establishment of fees to recover Government costs, the said FBB Circular, on page 3 thereof, calls upon each of the agencies concerned to:

- A. To establish fees in accordance with the policies therein set forth in such a way as to not reduce or eliminate fees and charges in effect as of the time.
- B. To establish the maximum fee on the basis of the total cost to the Government of providing grazing privileges such as are here concerned but NOT ACCORDING TO THE VALUE THEREOF TO THE RECIPIENT (evidently intended to mean the recipient's ability to pay for them).

Here, by the way, it seems well to point out that the last few words, which are capitalized, are of vital concern in the facts which will be brought to light further on herein.

In all of this, it quite clearly looks like the Federal Agency officials who have set out to make use henceforth of the said Fair Market Value policy in their fixing of the said grazing fee rates, seek to justify their action in doing so by taking the position that in following it (1) they will be serving the best interests of the public in general, as the real owners of the FGD and FS livestock forage crop resource values concerned and (2) following a policy of a kind which the said 1952 Act gives the FBB the power to prescribe.

The primary purpose of the facts presented hereafter in this statement is that of demonstrating, by them, that neither of the said justifications are valid.

First dealt with, in this connection, is the first one of the said two justifications:

As to the matter of the general public welfare:

Here stands out the fact that involved in this problem, to begin with, is the question of what purpose the raw state values of the Federal Government held FGD and FS livestock forage crop resources best should serve.

Also involved in it is the question of what purpose the values of others of the agriculturally used resources of the vast and generally desert-like Western Public Land (WPL) State regions concerned best should be made to serve.

Generally speaking, these other agricultural resources consists of such kinds as generally desert-like ranch lands, irrigation waters and stockwaters.

Just like the said FGD and FS livestock forage crop, these others of the said resources of the said desert-like regions are of that out-of-the-ordinary kind which, by themselves alone, are generally non-worthwhile usable.

Long, therefore, has it been necessary for these out-of-the-ordinary kinds of resource values (representing together either largely or, in many cases, practically all of the agricultural resources regionally available) to be used in combination, together (if they are to be worthwhile utilized at all, at least economics-operative-wise) as complete all seasons of the year, livestock herd operating bases, each part generally being used, in turn, seasonally throughout the year.

As in most others of the agricultural regions of the country, used in this manner and only when so used, together with their livestock herds, by tens of thousands of private enterprise, stockraising-agriculturists (mostly of the family kind) it has been possible, as in the case of the said other regions, to have the said resource values converted into such things as food and fiber and then negotiable funds for the benefit, finally, of most everybody.

Practically ever since the earliest days of settlement of the said generally desert-like regions, this is the kind of a resource value usage program which it has been necessary to follow in order to make possible the otherwise impossible worthwhile conversion of the said resources values into usable things, like the said food and fiber supplies, dollars, etc., beneficially passing sooner or later, through a great many hands.

Under long-standing Federal and State governmental policies and procedures, while the said FGD and FS livestock forage crop one of the said resource livestock herd operating parts, has remained in Federal Government hands, quite generally the others of the said out-of-the-ordinary kinds of the desert-like, agricultural resources have been passed into private hands.

This long has made it necessary in contrast with at least most, if not all, of the other said agricultural regions, that the said agricultural operating bases of the said desert-like regions, generally must be made up partly of Federal Government and partly of private enterprise parts, with the parts as a whole under divided control and management.

For many years now, that part consisting of the said FGD and FS livestock forage crop has been in control and management, usage-wise, of Federal agency officials and for practically all this time, either by law (the so-called Taylor Grazing Act (TGA), in the case of the said FGD forage crop, or by regulation in the case of the said FS forage crop) this kind of a resource value usage program generally has been followed in the said vast WPL State, desert-like regions.

In its following, it has been unavoidably necessary, as a part of that kind of program, that the said masses of private enterprise, stockraising-agriculturists, furnishing their parts of the said operating bases, make use of the Federal Government furnished part (the said livestock forage crop resource part) as agricultural tenants.

As such, they necessarily have had to be that kind of tenants who must either continue to have, in proper measure and at reasonable charge terms, the continued use of the said Federal Government livestock forage crop part of the said operating bases, or see the chances for their future worthwhile operation of the operating base parts they have been called upon to furnish by the said Federal Government arranged for, sanctioned, sponsored, etc., resource usage program become impossible, thus generally suffering the loss of their investment values therein, in many cases, equity-wise at least, representing their lifetime's savings.

As seems only to stand to reason, for the grazing fee charges to be of a reasonable kind, under these circumstances, it is of vital necessity that they be held at rates within the reasonable ability of the said agricultural tenant, program

operators, here concerned to keep paying them, after meeting their program operating costs of kinds which they, alone, of all stockraisers in general, are required to meet.

These costs, in the main, are represented by (1) the out-of-pocket costs common in the case of private enterprise, stockraisers in general and (2) the cost represented by the return that must be had by the said program operators on the holdings investments represented, for instance, by the said ranch lands, irrigation and stockwaters, required of them by the said Federal Government arranged for resource value usage programs, but not so required of stockraisers in general.

As seems only to stand to reason, the said agricultural tenants, just as has been so in the case of all other agricultural tenants, from time immemorial, can not meet these virtually essential costs unless the agricultural landlord—in this case the Federal Government—will see to it that the landlord charges for the agricultural tenancy privileges concerned are held at levels at least reasonably within the ability of the agricultural tenants concerned to pay them.

Unless the said Federal Government program can work worthwhile, the said out-of-the-ordinary kinds of agricultural resources, representing as they generally do, the whole of those available in the said vast and generally desert-like regions, can not, as can the usual run of other regional agricultural resources, have any worthwhile chance to be recovered, food and fiber and negotiable wealth-wise, at all.

Once that program as Federal Government laid down is obstructed, such as by the operation of the said quite clearly misfit Fair Market Value kind of a fee rate fixing policy, then it only seems to stand to reason that gone down the drain for instance, will be:

1. The long depended upon livelihoods of tens of thousands of the said agricultural tenants, agricultural resource value, program operators and ranch and livestock workers here involved—mostly, by the way, of the family kind, as well as

2. The larger part in many, if not most of the said vast regions, of the populations, private land settlement, livestock herds and agricultural economies, without the continued support of which will be wiped out, in turn, either a large part or, in many cases, practically all of the regional economies as a whole.

Gone as well, will be:

- a. A large part of the country's food and fiber supplies upon which its consumers long have depended for an adequate supply at reasonable prices;

- b. A large part of the periodic supply of the thinner, feeder type kind of livestock, long depended upon by more climate-wise favored regions of the country for utilizing their supplies of feed needed for readying the said kind of feeder type livestock for market;

- c. A large part and in some regions practically all of the ranch land and livestock collateral necessarily used as security for loans needed by the said agricultural tenant, program operators from time to time from a great many lending agencies, including commercial banks as well as such agencies as the Federal Government instrumentalities of land banks and production credit associations, Federal home administration loan associations, and so on;

- d. Gone generally, as well, will be the values coming initially from the use of the said regional resources having, over the years, filtered all the way through not only the regional but also the national economies.

Finally, which seemingly hasn't been too well recognized generally, comes the fact that if the said Fair Market Value kind of a grazing fee rate fixing policy is to be the one used henceforth, as now evidently intended by the said Federal officials, gone with everything else listed just above herein, will be any further chance for the Federal Treasury to receive any further grazing fee income worth mentioning from the said raw state values of the said partly Federal Government and partly program operator held resource values, for the simple reason that the conversion of those values into negotiable funds which, long alone, has made possible the payment of those fees, will no longer be possible under the said Fair Market Value kind of a policy.

Here it seems well to mention the fact that if the said Federal officials, by continuing to insist upon applying the said quite clearly misfit Fair Market value kind of a policy, which doesn't take into account the ability of the said program operators to pay the resultant fee rates, the many presently long established settled-in-place kinds of agricultural economies, in the many desert-like regions here concerned many might well have to give away to a kind of agricultural econ-

only making use of just the said livestock forage and stockwater but not the said ranchland and irrigation water resources.

For instance, with the present settled-in-place kinds of program operators no longer able to afford to use the said Federal Government held livestock forage crop values, at Fair Market Value kinds of fee rates fixed on a basis they would not have the ability to pay, a use of just the said Federal Government held livestock forage crop values still could be possible, probably by far ranging sheep herds operated on a nomadic basis, with presently used settled in place ranch land and irrigation waters, largely in some regions and practically entirely in others, lying idle, gradually going back to the desert.

But how such a result could operate to best serve the public interest seems to be at least quite questionable.

So much to here, then for the matter of why the position that the said Fair Market Value policy would fit the public interests seemingly taken by the said Federal officials is not a valid one.

Before leaving the subject presently concerned, this seems as good a place as any, in this statement, to present specific data as to the inability of the said agricultural tenant operators of the said Federal Government sanctioned, sponsored, etc., resource value usage programs to pay the kind of rates called for by the said Fair Market Value kind of a fee rate fixing policy.

But two studies ever seem to have been made, Federal agency-wise, over the years and given general distribution, dealing with the specific matter of the ability of agricultural tenant, program operators of the kind here concerned, to pay grazing fee rates for agricultural tenancy privileges of the kind here involved.

The first one, made going on thirty years ago, showed clearly that if, from their gross income, allowance was made for the payment of their out-of-pocket costs plus even a nominal rate of return (considering the risks involved) upon the operators required herd and base property investments (5 and 4% respectively) the said operators couldn't even afford to pay either the FGD or FS considerably lower than now, grazing fee rates then in effect.

In addition, what appears to be the latest such study, made and given general distribution Federal agency-wise (one released by the Department of Agriculture toward the beginning of the year 1966) showed, cattle-wise for instance, only a dollar-wise net return of \$11.50 per head per year, or a 2% rate of return, combined herd and base property investment-wise, on a per head cattle investment of \$575.00.

A heavily increased fee rate such as now proposed, under the provisions of the said Fair Market Value policy, to take effect over a five-year period, apparently would mean an increase of present rates of right around \$1.00 per head, cattle-wise for example, per month.

Figuring for instance, that a program operator such as here concerned, as often seems to be the case, must make use of the higher elevation FS grazing allotments for around three months, of the lower elevation FGD allotments for five months, and of the ranch lands for the other four months of each year. The said \$1 per head per month fee increase would mean a completely new drain of \$8 per head per year on the said, for example, \$11.50 per head, dollar-wise, net income for investment, leaving but \$3.50, dollar-wise, per head per year for net return on the combined herd and base property investment and reducing the said 2% rate of return to around but 6/10 of 1%.

Here, by the way, it looks like the said Federal officials seem to think that they are making it an easy matter for the program operators here concerned to get their affairs into shape, over a 5-year period, by adjustments here and there, the said example, \$8 per head per year involved in the said Fair Market Value kind of a policy fee increase.

Here, it also seems only to stand to reason that if the average run of the said program operators, able to obtain only a 2% rate of return on investment, as per the said late 1965 released DA study, could have found it at all possible to adjust downward their costs or upwards their income to improve their financial position, they would long before now have been busy at the job.

Not being able to do much of anything to do either, what it seems only to stand to reason will have to happen, adjustment-wise, on the parts of the said program operators, if they really must stand the new, heavy Fair Market Value policy increased kinds of FGD and FS grazing fee rates, is an adjustment and, a considerable one, downward of theirs and their family's living standards and costs of trying to get their children property educated, neither representing any great public welfare benefit.

Some years back when, in a meeting of program operators and Federal agency officials concerned, this matter of an adjustment downward of program operator costs to enable them to stand higher FGD and FS grazing fee rates came up, with the result that when those on the program operators side asked those on the Federal official side, who had suggested that procedure, just how they would propose that this be done, the answer from the said officials' side was to the effect that one good way by which it might be done, would be for those on the program operator's side to get their counties and states to reduce their property tax appraisal values and rates on the program operators' herds, ranches, etc.

Here the idea of the said officials seemed quite clearly to be that in order to enable the Federal agency concerned to take ever more out of the regional agricultural resource values out of the said generally desert-like regions to ever increasingly enrich the Federal Treasury, leaving the counties and states concerned ever poorer and poorer, the regional counties and states should be willing to take less and less of the said regional resource values, tax-wise, for the support of their governmental machinery.

As to the Federal statute matter:

And, now, comes the matter of whether any such kind of a policy as the said Fair Market Value one was ever either intended or called for by the applicable Federal statutory provisions.

First, in this connection comes the question of how the said top level FBB officials who have, in effect, directed the said departmental and Federal agency heads, to follow it, in the case at hand, could have assumed (as it looks like they must have done) that the applicable Federal statutes, as laid down Congress-wise, provides them with the authority to lay down a fee rate fixing policy of the said quite clearly misfit Fair Market Value kind, certain to keep resulting in fee rates such as here concerned held at levels which cannot afford to be paid by the kind of agricultural tenants who must be relied upon, Federal Government program-wise, to be the operators of the resource value usage program involved.

Here, it seems only to stand to reason, to begin with, that the Congress hardly would have set up such a program for accomplishing, as the only way in which it can be worth while accomplished, the conversion into the said food and fiber products, negotiable wealth, etc., of the agricultural resources of the kinds of desert-like lands here concerned, if the Congress didn't want it to at least have a chance to work satisfactorily.

And having set up the said program to accomplish that end, it just doesn't seem to stand to reason that the Congress then could have intended that Federal officials, such as those here concerned, should fix that program so it couldn't work at all by applying program usage charge rates at levels which the program operators can not afford to pay thus blocking the wishes of the Congress.

In addition, the records of the hearings held when the said TGA, providing for the said program to be followed, was being considered for enactment, clearly show that there was no such intent as this Congressional-wise.

For instance, when the question was raised by Senate Committee members as to what purpose the resource values here concerned were intended to serve under the applicable provisions of the said TGA, it clearly looks like, without dissenting voice, it was the consensus of the Committee members that the purpose sought thereby was that of leaving, instead of taking away therefrom, by means of the said Fair Market Value kind of a policy, all of the said resource values, both Government and private enterprise held, just as the Government has done previously in the other regions mentioned, in the case of their agricultural resources, as a whole.

And this isn't all of the evidence quite clearly serving to demonstrate that the said FBB officials are not following the wishes of the Congress in their choosing of the Fair Market Value kind of a policy to be applied in the fixing of the fee rates here concerned.

Another provision of the statute, which the Library of Congress has advised is designated as Title V of the Independent Offices Appropriation Act of 1952 under the heading Fees and Charges of Federal Agencies—Reference: U.S. Code 1964, Section 140, pages 254-255, clearly states that fee rates for privileges of the kind here concerned are not to be set at levels greater than the value or worth of such privileges to the recipients thereof.

Again, in the said TGA, as apparently still the basic law specifically enacted Congress-wise to govern the use, program-wise, of the said agricultural resource values of the generally desert-like regions here concerned, clear cut provision is

made that the fee rates to be charged, incident to the functioning of the said Congressionally arranged for resource value usage program, are to be of a "reasonable" kind.

In addition, the title of that statute, declares it to be a principal purpose thereof, that its provisions be so administered as to "stabilize" enterprises of the kind which must be followed to enable the said Congressionally laid down resource value usage program to have any worthwhile chance to work.

Here, to sum up regarding these just mentioned Federal statutory provisions, set up by the Congress to place limits on the size of the fee rates here concerned, the fact seems only to stand to reason that fee rates such as fixed by use of the said Fair Market Value policy, on a basis not considering the ability of the agricultural tenants, program operators of the kind here concerned, to keep paying them, hardly could be considered to be a kind either (1) "reasonable", (2) "stabilizing" to the enterprises of the program operators, (3) "equitable" in their case or (4) of a size within the worth or value of the said privileges to the kind of agricultural tenant, program operators here concerned.

Finally, one of the passing strange things about this whole matter lies in the rather unusual fact that the said FBB Circular A-25 of September 23, 1959, doesn't seem to be the only one or even the last of the fee rate fixing policies laid down FBB-wise.

For instance, augmenting and clarifying all of its previously laid down fee rate fixing directives, the FBB, in June of 1964, in repeating the provisions of the said Fair Market Value policy added, as an exception thereto, what clearly seems to be another policy for fee rate fixing, in the case of resource value usage programs, of what would clearly seem to be exactly the kind involved in the case here at hand.

This additional policy quite evidently is aimed, FBB-wise, at easing the said Fair Market Value policy idea of fixing the fee rates here concerned at levels not held within the reasonable ability to pay of program operators such as here concerned.

The said additional policy provides, instead for the Fair Market Value policy idea of fixing rates not held at levels within the reasonable ability of FGD and FS grazing privilege users to pay them, for what clearly seems to be the quite opposite idea of holding the said rates, in the case of resource value usage programs of the kind here concerned, at levels which will not unduly or significantly operate to impair such programs.

Quite clearly in the case of the kind of Congressionally arranged for, sanctioned, evidently desired to work, and thus rather obviously sponsored agricultural resource value usage programs here involved, such an idea as this, if followed, as seems only to stand to reason, would necessitate the holding of the kind of rates here concerned at levels reasonably within the ability of the said agricultural tenant, program operators, to keep paying them.

Added to these last several items, comes the fact that in a letter apparently sent all heads of departments concerned, under date of June 24, 1965, the then head of the FBB pointed out to them that fee rates such as here involved should be of a kind that would "insure equitable treatment-of all leasees and permittees (concerned) as well as (furnishing) a fair return to the taxpayers".

Now, however, it quite clearly looks like the head of the said FBB has of recent times turned, in what appears to be exactly the opposite direction, by approving the following departmental and bureau heads such as those here concerned, of their following of the said Fair Market Value kind of a fee rate fixing policy which quite obviously will defeat rather than to accomplish either the purpose of giving the said leasees and permittees equitable fee rates or furnishing equitable treatment to the country's taxpayers, consisting mostly of the public in general, as called for in the said FBB letter.

Here, finally, strangely and above all quite significantly, in the case of the grazing fee problem here concerned, the big question arises, of why the said FBB, in effect, now has decided to approve the use of the said Fair Market Value one of its fee rate fixing policies which doesn't seem at all to fit the circumstance involved in the case here at hand while its said other policy, the one relating to Federally sponsored program grazing land use, would quite clearly seem at least much better if not quite perfectly to do so.

In this connection, the wonderment can hardly help arising of whether the FBB officials who clearly seem to be advocating the use of the wrong one of the said two policies, actually know or so far have had any worthwhile opportunity to become knowledgeable of the fact that use of the said Federal

Government held FGD and FS livestock forage crop one of the said agricultural resources of the generally desert-like regions here concerned actually, long has gone forward as it still does on the basis of an agricultural resource value usage program, Congress-wise, and thus Federal Government arranged for, desired to work satisfactorily, sanctioned and thus sponsored.

Also, in this connection, the wonder can hardly help arising of whether it might be worthwhile for somebody in authority and a position properly to do so, to take the steps needed to make certain that the said FBB officials do become fully knowledgeable of the said fact so that, knowing it for sure, they can have their chance to either rescind their present action as to which of the said policies should be the one used, or have their chance to justify their reasons for not doing so.

Here, there seems to be quite wide-open opportunity at least for what it looks like might well be a right good chance to get this whole problem straightened up on what would seem to be at least a reasonably easy, simple, sound and lasting basis, with what might well turn out to be a minimum of effort since, apparently, simply by what could be just a stroke of the pen or even just a telephone call by the said FBB officials calling for the right one rather than what clearly seems to be the wrong one of the said two fee rate fixed policies to be followed by the departmental and bureau heads involved from here on, as best in keeping with what quite clearly would seem to be both the public interests, in general, and the presently applicable Congressionally laid down Federal statutes.

STATEMENT OF NEW MEXICO WOOLGROWERS, INC.

New Mexico Woolgrowers, Inc., is a statewide organization representing the sheep industry of New Mexico with several hundred members and is affiliated with the National Woolgrowers Association.

New Mexico Woolgrowers, Inc., fully supports the position of The National Woolgrowers Association and The American National Cattlemen's Association in this issue. It is hoped that these hearings, both in the Senate and in the House of Representatives, will serve to enlighten members of Congress and other individuals and groups on the reasons for the position taken by these livestock groups.

There are other questions involved here besides the simple concept of increased grazing fees. The manner in which these grazing fee increases were implemented has not been in the best interest of anyone concerned, including the respective governmental agencies. The question of increased fees alone is one which the livestock industry has always been ready to resolve with any and all individuals and agencies who raise the question. The manner in which these increased fees were determined, the ultimate extent of the increased fees, and the economic impact of these increases over the next ten years, and the years beyond, are fully covered in statements and testimony being presented by other state groups as well as the several national groups such as The National Woolgrowers Association and the American National Cattlemen's Association. This statement is not repetitious in that respect, however, several points should be made.

First, The Departments of Agriculture and Interior did not allow enough time for constructive comments and answers to the proposed regulations, particularly since Congress was not in session during the entire forty-five-day period for comment. The fact alone that this entire period fell between the general elections in November and the inauguration is reason enough to indicate not enough time was allowed for proper intelligent and constructive answers from either side, pro or con.

Secondly, these fees should be tied to the market price of livestock, as in the past.

Third, other users of public lands, particularly in the areas of recreation, should arrange to pay for using these lands also. If value is placed on forage, then value should also be placed on other benefits and products of these lands, including "esthetic" values.

Fourth, the actions of the Departments of Agriculture and Interior have completely circumvented the intent and work of The Public Land Law Review Commission. This commission has heard testimony and has had had cooperation from the livestock groups of America as well as all of the other individuals, associations, and groups that are concerned about the public lands and their

future use under the law. It is hoped that this commission will be given enough time to recommend a solution to the question of grazing fees, along with all of the other recommendations that they will undoubtedly have.

Lines are distinctly drawn in this issue of grazing fees, and in many respects, it is very unfortunate these lines are drawn between the livestock industry and other user groups that are concerned about the welfare of the public lands. There are many factors common to both of these opposing groups and it is unfortunate that all of the users of the public lands cannot work together in making our western lands more productive from the standpoint of our national economy as well as from the standpoint of recreation, preservation, and general use of the public domain. If only these opposing groups could face these problems with mutual trust, many problems would be resolved without having the government step in to either arbitrate or actually tell opposing sides how a given situation will be resolved. Livestock producers on the open range are the original conservationists. It is true that were they not, the wide open spaces of the West would have long been depleted and made non-productive.

The early livestock men settled only along the natural sources of water. In those days, there were no fences, nor were there man-made sources of water. Only after heavy rains did these operators venture away from live water and natural lakes to seek the grazing lands surrounding water left by the rain. There was far less game over the general area than there is today. In New Mexico, for example, the deer habitat is much larger in area than in the years past. This is due primarily to the development of water by the livestock industry. It should be pointed out here that the early livestock operators did not exploit the buffalo and antelope! As the livestock industry grew and developed, many improvements were established on the western range to facilitate better grazing, better use of the forage land and at the same time wildlife had a far greater opportunity to survive. Today, this situation continues to improve.

In a sense, livestock operators on the western range are the true caretakers of this land for all America to ultimately use and enjoy. If wildlife, recreation, and conservation groups could only realize this, most of our problems would be resolved to everyone's benefit. Cooperation among people is the key to successful solution to problems. When cooperation ceases to exist, distrust, inefficiency, and sometimes chaos result. There has been a lack of cooperation on this issue on grazing fees by all parties concerned; the governmental agencies, and the opposing groups interested in the public lands. The livestock industry stands ready to do its part.

This statement is general in nature, but most certainly points out the factors involved in the issue at hand. No simple solution is available, but there is basic good in the philosophies expressed by all groups. We in the livestock industry have a deeply engrained love of country and an honest and sincere desire to contribute to the heritage of our country and to the welfare of its people through one of the basic and vital industries of America.

STATEMENT OF N. A. WINTER, JR., PHOENIX ARIZ., ON BEHALF OF THE ARIZONA WILDLIFE FEDERATION

Mr. Chairman, I am N. A. Winter, Jr., Phoenix, Arizona. I have been a member of the Executive Board of the Arizona Wildlife Federation for the past four years and served that organization as its president in 1966 and 1967. I am currently a member of the board of directors of the National Wildlife Federation.

The Arizona Wildlife Federation is a state-wide, non-profit association of men and women interested in conserving Arizona's wildlife and other natural resources through the wise use and management of those resources. Organized in 1923, the Federation currently has over 4,000 dues-paying members throughout the state. Its offices are located at 840 North Central Avenue, Phoenix, and it is the Arizona state affiliate of the National Wildlife Federation.

We welcome the opportunity to appear here today.

The subject of grazing fees, the capitalization of grazing permits and the possible effect of these issues on the proper management of National Forest and BLM lands has been reviewed at numerous meetings of the Arizona Federation. The attached statement, adopted June 22, 1968, fully supports the increased grazing fees and opposes the capitalization of the grazing permits.

At its 46th annual state convention, held January 17, 18 and 19, 1969, in Springerville, the Federation adopted an additional resolution opposing the

capitalization of the grazing permits and requesting that a larger portion of the grazing fee be returned to the resource management agency to be used for wildlife habitat and range improvement on public lands. A copy of this resolution, number 19, is attached.

To the Arizona Wildlife Federation, the crux of this issue is whether the public will receive adequate remuneration for the private use of a public resource. We feel the USDA study fully justifies the new fees. We would also hope that these increased fees would help make possible more adequate appropriations for the U.S. Forest Service and the Bureau of Land Management so that more funds can be allotted for much needed range and wildlife habitat improvement to the benefit of ranchers and the public alike.

The livestock industry has requested that 6 percent of the capitalized value of the grazing permit be considered as an operating cost and be deducted from the grazing fee. This would, we feel, be detrimental to the public interest in three ways:

ONE—It would drastically reduce justified revenue from a valuable public resource. Revenue which the public has every right to expect to receive for the use of this resource.

TWO—It could prevent the long overdue improvement of these resources by limiting the possibility of increasing funds available for range and habitat management.

THREE—It would give the livestock users a vested property right in federal lands to the detriment of all other users of these lands.

The Arizona Wildlife Federation is not alone in Arizona in its support of the increased fees and opposition to the capitalization of permits. The attached editorials from the Arizona Republic, December 5, 1968; the Phoenix Gazette, December 5, 1968; and the Phoenix Gazette, January 24, 1969, indicate that Arizona's two largest daily newspapers support our position.

In addition, the Arizona Game and Fish Commission has officially opposed the capitalization of grazing permits in letters to the Secretary of the Interior and the Secretary of Agriculture. A copy of this letter, dated December 26, 1968, is attached.

In summary, Mr. Chairman, the Arizona Wildlife Federation urges that the grazing fee increases receive favorable endorsement by Congress and that the capitalization proposal be rejected.

As a director of the National Wildlife Federation, I have been asked by several other Western state affiliates to present their positions on this issue in the interest of saving time for this Committee. Accordingly, I have enclosed the following:

(1) Copies of letters from the *WYOMING WILDLIFE FEDERATION* to the Secretary of the Interior and the Secretary of Agriculture supporting the increased fees.

(2) A copy of Resolution No. 4, adopted by the *OREGON WILDLIFE FEDERATION* at its annual convention, January 19, 1969, supporting the increased fees.

(3) A copy of a position statement adopted by the *MONTANA WILDLIFE FEDERATION*, December 15, 1968, supporting the grazing fee increase and opposing the capitalization of permit values.

In addition, I have been advised by Dr. Richard Van Driel, president of the *WASHINGTON STATE SPORTSMEN'S COUNCIL* that the delegate body of the organization, at its December quarterly meeting, adopted, "without dissent", a motion favoring the proposed rate changes as published in the Federal Register.

I respectfully request that all of the attached material, referred to in this statement, be made a part of the official record of this hearing.

Thank you, again, for giving us the opportunity to present our views.

OREGON WILDLIFE FEDERATION, RESOLUTION NO. 4, GRAZING FEE INCREASE

Whereas the public lands under federal control exceeded 51% of Oregon's land mass, and encompass most of our hunting, fishing, and recreational potential, and

Whereas the management of these lands and their recourses are of great concern to sportsmen and conservationists everywhere, and

Whereas as a result of a two-year study of public lands grazing fees, the Departments of Agriculture and Interior have announced an increase in the fee structure for grazing leases, these increases to be graduated upwards for the next decade: Now therefore be it

Resolved, That the Oregon Wildlife Federation in convention assembled in Corvallis, Oregon, on this 19th day of January 1969, wholeheartedly support the U.S. Forest Service and the Bureau of Land Management in their program to upgrade the grazing fees for the rental of our public lands as a privilege of the leasees, and be it

Further resolved that copies of this resolution be forwarded to the Congressional Delegations of Oregon, Washington, and Idaho; National Wildlife Federation; Izaak Walton League of America, Oregon Division; the Department of Agriculture (State and National); the Department of Interior (State and National); the Washington State Sportsmen's Council; Idaho Wildlife Federation; Pacific Northwest Conservation Council; and Governor Tom McCall of Oregon.
Adopted January 19, 1969.

ARIZONA GAME & FISH DEPARTMENT,
Phoenix, Ariz., December 26, 1968.

HON. STEWART L. UDALL,
Secretary of the Interior,
Interior Building, Washington, D.C.

DEAR SECRETARY UDALL: On behalf of the Arizona Game and Fish Commission and the Arizona Game and Fish Department I would like to enter for the record our position on the grazing fee adjustment recently proposed for public lands under management of the Department of the Interior and Department of Agriculture.

While we do not wish to comment on the adequacy or inadequacy of the proposed grazing fee adjustment per se, it is incumbent upon us to clearly state our opposition to any adjustments in the established fees or methods of managing them which would allow a user group any claim of vested interest in the public lands.

We are wholeheartedly in support of the multiple use concept of management on our public lands, and feel strongly that this concept and equality for each each of the resource users can best be maintained and safeguarded by unquestionable public ownership of these lands. We feel that tacit or overt recognition of an individual's vested interest in these lands by the Department of Agriculture or the Department of the Interior for any single user group would cloud and make questionable the public's right to own and make use of the public lands, and infringe on the right of the public through the able administration of the appropriate federal agencies to manage the lands as they should be—a national public resource.

Sincerely,

ROBERT A. JANTZEN, *Director.*

November 29, 1968.

HON. STEWART L. UDALL,
Secretary, U.S. Department of the Interior,
Washington, D.C.

DEAR MR. UDALL: This is in reference to the notice in the Federal Register with regard to changes in the Grazing Regulations for Public Lands.

Please be advised that the Wyoming Wildlife Federation is in complete agreement with these proposed changes and urges support from interested parties.

Yours respectfully,

GUY H. WILLIAMS, *President.*

WYOMING WILDLIFE FEDERATION,
November 29, 1968.

HON. ORVILLE L. FREEMAN
Secretary, U.S. Department of Agriculture,
Washington, D.C.

DEAR MR. FREEMAN: This is in reference to the notice in the Federal Register with regard to changes in the Grazing Regulations for Public Lands.

Please be advised that the Wyoming Wildlife Federation is in complete agreement with these proposed changes and urges support from interested parties.

Yours respectfully,

GUY H. WILLIAMS, *President.*

POSITION OF THE MONTANA WILDLIFE FEDERATION ON THE PROPOSED GRAZING
FEE INCREASE FOR PUBLIC LANDS

The Montana Wildlife Federation reiterates its position that the return from the sale of public land resources, whether they be coal, oil and gas, timber, minerals, or forage, should be based upon the concept of fair market value. The Federation also believes that the public lands truly belong to the people of the United States, and that they should be managed under the principles of multiple use to best serve all of these people. The Federation believes also that a vital part of such a policy is the requirement that no user shall be able to gain or claim a greater title than any other in the public lands. At the same time, it recognizes that an increase of payments in lieu of taxes is essential to those areas with concentrations of public lands.

In consonance with the principles stated above, the Montana Wildlife Federation concludes and recommends as follows in regard to the proposal of the Secretaries of Agriculture and Interior to increase the fee for grazing upon the public lands, and to establish fair market value as the criterion for establishing such a fee:

1. The need for a grazing fee increase is recognized.
2. The Federation is not concerned per se with the specific amount of the proposed fee increase, except to the extent that it leads to a fair market value return for public land resources.
3. The tying of the grazing fee formula for public lands to the average price of forage on private lands in the eleven Western states is a sound and valid approach to achieving fair market value.
4. Recognition of permit value is prohibited by Section 3 of the Taylor Grazing Act, and recognition of such a value, if it exists, is not only contrary to law, but would amount to acknowledgement of an ownership or "right" of one segment of the population transcending that of others, over and above the privilege to graze domestic livestock. The idea or concept of "permit value" therefore must be rejected if public lands are truly to remain public.
5. The percentage of the public land grazing fee returned to the states in lieu of taxes should be standardized for all classes of public land, and should be increased so as to provide badly needed additional support for public roads, schools, and other public services in those areas where concentrations of public lands exist. The one-third portion of the total fee going to range improvements should be continued; of the remaining two-third portion, 50 percent should be returned to the states in lieu of taxes.

STATEMENT ADOPTED BY THE ARIZONA WILDLIFE FEDERATION EXECUTIVE BOARD,
JUNE 22, 1968, LAKESIDE, ARIZONA

The Arizona Wildlife Federation believes that increased grazing fees are mandatory if the public is to realize an equitable return for the use of public lands.

The Arizona Wildlife Federation proposes that the fees for grazing livestock on public lands be raised to an amount comparable to the fees charged for livestock grazing on private lands.

The Arizona Wildlife Federation opposes efforts to allow grazing permits to be capitalized at six percent annually. This could only lead to further inflated payments when grazing permits are sold on the private market. The capitalization plan, in effect, would amount to public subsidization of a private party's use of a public resource. This is an undesirable trend with a precedent that could result in providing grazing on public domain lands at no cost to private interests.

ARIZONA WILDLIFE FEDERATION,
Phoenix, Ariz.

RESOLUTION No. 19, CAPITALIZATION OF GRAZING PERMITS

Whereas, livestock interests have proposed and will continue to propose capitalization of grazing permits on public lands to establish a right or possessory interest in their use of national forests or public lands for grazing purposes; and

Whereas, grazing interests on public lands are considered to be a privilege with no right of ownership attached; and

Whereas, a need for additional range improvement is evident: Now therefore, be it

Resolved, That the Arizona Wildlife Federation in convention assembled opposes capitalization of the grazing permit or any other concession or recognition of grazing interests which would tend to establish individual possessory interest or right to grazing on national forests or public lands; and be it

Further resolved, That the Arizona Wildlife Federation urge our Congressional delegation to propose legislation that a larger portion of the public land grazing fees be returned to the resource management agencies to be used for wildlife habitat and range improvements on the public lands.

Adopted at the 46th Annual State Convention, January 19, 1969, Springerville, Ariz.

STATEMENT OF IDAHO WILDLIFE FEDERATION, PRESENTED BY FRANKLIN JONES

Mr. Chairman and members of the committee. I am Franklin Jones, a native of Idaho, and for the past 32 years have been in business in Boise, Idaho. All through my childhood I worked on our farm in Rupert and later helped my father raise sheep. I have 'licked lambs' by the light of a kerosene lantern, docked them, herded them, and skinned them. These tokens are part of my family keepsakes.

In the early '30s I conducted feeding experiments for the University of Wyoming on range lambs and baby beef. The records show that during this time we produced the highest rate of weight increase per day of any experimental program. I mention this not to wax wise or pat myself on the back, but merely to let you gentlemen (and ladies) know there is a knowledgeable background in the subject at hand.

I present myself at this hearing not to defend the cattle and sheep industry, but to represent a higher cause—people. Today I would like to talk to you in behalf of the organized sportsmen in the State of Idaho.

The Idaho Wildlife Federation, of which I have the honor of being vice-president, represents the majority of organized sportsmen in the State of Idaho. For the lack of a multitude of organized state groups with specialized recreational interests, the Federation, in addition to being interested in fur, fish and fowl, also assumes a variety of responsibilities—dredge mining, water pollution, hydro-electric developments, wilderness areas, etc. We are particularly interested in what happens to our public lands—be they administered by the U.S. Forest Service or the Bureau of Land Management.

We want you to know that the Idaho Wildlife Federation fully agrees with and supports the proposed grazing fee increases as jointly proposed by the Departments of Agriculture and Interior on November 16, 1968.

We in Idaho have watched for years the results of livestock grazing on the public lands—the alarming deterioration of watersheds, the abuses to vegetative communities and the overall domination of the public lands by only a minority of the State's residents. Of the State's approximately 700,000 people probably less than 5,000 have these grazing "rights" on the public lands.

We are also aware of the vast amount of public funds that have been spent to accommodate these livestock interests. Probably over two million acres have been sprayed or plowed to produce grass for cows. Many of these acres formerly provided good wildlife habitat for deer, antelope, sage grouse, quail, song birds, etc., but from a wildlife standpoint the habitat has been adversely effected and some areas are now biological deserts.

How many miles of plastic pipeline have been installed to carry water to cows? These projects have often dried up artesian spring areas to provide water for cows and at what cost?

Public funds have also been spent for fence construction needed by livestock interests. Many of these fences have stopped antelope migrations and deer frequently become entangled in them. And many times these fences have provided a place for hanging "NO TRESPASSING" signs.

We would also like to comment on the complicated involvements resulting from 'contributed funds' One of the many things we hear livestock men say is "we pay part of the cost of these improvements." Yes, they do—as eagerly as they can. By doing so, they acquire a vested interest—or right—in their allotment. Because they provide contributed funds toward the development (for livestock) no one else can be moved in with them to participate in the advantages of the increased forage and facilities. We know of one allotment here in Idaho where one user who was entitled to a privilege of only 1,200 AUM's now has about 4,500 AUM's of forage and more that could be developed. But even when adjacent range was burned about three years ago, the affected people could not be moved into this allotment having surplus forage, because the allottee had contributed funds for the removing of brush, seeding, fencing and provision of water. This is a common situation, not an exception.

We have also seen vast amounts of public funds expended on predator control to help accommodate these cows and sheep on our public lands. Until some reasonable controls were initiated several years ago, it was hardly safe to take your dogs and children out on the public domain lands. We still wonder if it is really safe.

All of this for 33¢ an AUM! And the livestock people additionally want (1) assurance of tenure or recognition of legalized grazing rights, and (2) a further reduction of fees in proportion to what it costs them to acquire these rights or what they would be worth on the market. We can believe they are saying this, but we cannot believe the reasons they are giving. And we cannot believe their statements that they are not getting a subsidy. The livestock men say they cannot afford a grazing fee increase because of their ever-increasing costs of operation. We partially agree with this as the price they were receiving for beef in 1968 was about equal to that received in 1948. I would hate to be in this kind of a business. But, the grazing fees are not responsible for this situation. The grazing fees represent less than four percent of their operating cost. Their problem is in marketing and middleman profits, not in grazing fees.

By not increasing grazing fees we are only encouraging the livestock men being interested in quantity of animals rather than quality. If they were made to pay a reasonable fee for their livestock forage, they would want to be assured of forage value and quality that would provide a return on their investment.

We recognize that livestock use of *our* public lands has a proper place in good range management, and we recognize that livestock use can and should continue in the multiple use framework, but the tail has been wagging the dog too long. These public lands have public values for 200 million people now living in the United States and many millions more to come. These public values can no longer be compromised by the philosophy of getting the last ounce of fat on a steer from the last blade of grass—and at a price that is so inequitable that it can only be described as private benefit from use of publicly-owned resources.

Some of our Federation members are knowledgeable regarding private grazing fees. On some native ranges in Idaho grazing fees are as high as \$3.50 per AUM—none less than \$1.25 per AUM and the livestock men are glad to pay these rates. Only 2% of the Nation's livestock products are provided by animals grazed on public lands. How do the producers of the other 98% of the Nation's livestock products feel about the unfair competition provided by the low grazing fees on public lands at present and for which you are now being petitioned to continue in perpetuity. Are these producers of the 2% rightfully entitled to some special privilege? If so, we ask why?

Again we say, the Idaho Wildlife Federation fully agrees with and endorses the proposed grazing fee increases as published on November 16, 1968. If we have any complaints, they are that (1) it should have been done fifteen years ago, (2) they should be higher and (3) they should go all the way at once.

OUTPUTS*

The land and its moisture, two basic elements of our environment, are absolutely essential if good life is continue sustainment.

*Presented by Bruce Bowler, Lawyer, 244 Sonna Building, Boise, Idaho, 83702, to 1969 Annual Meeting, American Society of Range Management, Palliser Hotel, Calgary, Alberta, Canada, February 13, 1969.

All civilizations have commenced in a pioneer framework when the substances of environment appeared inexhaustible. Mankind looked upon natural things as his antagonist, something to be conquered, to be done over in his own image. Modify and change the face of the earth were the objectives, within the idea that man was bigger and different from nature and not merely a part of it, but in fact he really is just a part of nature.

However it must be conceded that modern man does have tremendous capabilities for now changing the world's environments, far greater than any time before in history. This is why today's responsibility is so much higher than ever before to properly husband the environment and not destroy it. If mankind is to survive responsible management must occur, and he can't survive with any degree of cultural quality if he views the species of homo sapiens to have all the priorities for occupation of this world.

Although homo sapiens is the singularly dominant species with the superior mentality for technical advancement he still remains only part of the ecology, and the sad part he has not often enough recognized his best values in the scheme of things to produce better world for people to live, even though he has the native intelligence to do so.

The big problem is how to now get into context proper sense of values of environment for people, and particularly as concerns our lands and waters.

As range managers this places you in positions of high responsibility. Although the public lands play a big part in this responsibility they are not the whole picture and particularly as concerns the watershed structures that contain much private lands in total ecologies.

However the rights of ownership of lands, public or private, do not carry legal or moral rights to destroy them. The lands are too basic to civilization to allow the rights of ownership to include their destruction from viable productivity.

Relativity of values will likely always be a question and must be recognized as flexible. And change is inevitable. The important thing is to yield to change wisely and before it becomes too late or too expensive to do what is best.

I think such change is where we now find much in modern range management. Many of the old values are outmoded, and most of this stems from the old range doctrine that its highest duty is for grazing livestock, particularly as to the public lands. "Spirit of the Range" as so pertinently described by your Honorable Lieutenant-Governor of Alberta, J. W. Grant MacEwan, in addressing the annual banquet, now has new and broader horizons, and many more people have and enjoy this spirit that formerly would be more indigenous to the cowboys.

Fortunately there is still on this continent substantial acreage of publicly owned lands, which gives opportunity for new trends in long term wise social development that will distinguish us from older civilizations that have practically destroyed their foundational environment from overgrazing by livestock. This trend should and will be marked by retention of these lands in public ownership under proper management for the best values for the many, with the individual utilization being limited to systems that produce the greater public good.

As so fortunately and forcefully stated in the United States Supreme Court landmark case of *Udall v. Federal Power Commission*, 1967, 18 Law Edition 2d 869, that the test for legal use of natural public assets is whether it is in the "public interest," and *the test is not private benefit from use of the public resources*. Exploration of all issues relevant to the public interest must be made including recreational purposes and protection of wildlife. This case is now United States law for guidance in future public lands and water policies.

If quality civilization is to survive this trend must be the thrust, as opposed to the idea that all or most lands should eventually end up on the tax rolls of local community.

Some values are esthetics, something that does not have a price per pound placed upon it. Nevertheless high values result from the unspoiled beauties of the natural landscape. Qualities that flow from ungrazed lands are great. This is where you can find answer to the question posed in the Grazing Systems section of "how do you use it without losing it." Quality esthetic real estate never depreciates in value even though you use it constantly for its beauty purposes, you can keep selling your inventory and still always have it.

Since we are races of people all values have to be interpreted in terms of what people think they are worth. What they are willing to pay or receive in dollars to have, or not to have, what is in issue. And believe you, times have "been a changin'" in the concepts of worth. And getting the last ounce of fat on a steer from the last blade of grass from the range is not the direction of the winds' change.

The change is in the direction of quality experience of people in consorting with their lands. Their desire for exposure to open space and outdoor recreation where the air is clean, and the sun is bright. Where they can see ahead and get perspective of themselves. Even though they can only experience it infrequently, or not at all, they want to know it is there for them. This is like money in the bank for their needed understanding, as contrasted with their fear that their age of civilization failed to conserve this good which future generations will need.

Peoples frustrations over permissive destruction of environment by the exploiting uses for private gain is real psychological syndrome contributing to the hang up in so much of today's social disorder. Herein lies great opportunity for productive output to make people more comfortable with their era; to take the profits out selfish use of public assets to their degradation for the public interest.

But on this matter of values in terms of money, let us examine some evidence. If we take some of the cold, hard unemotional facts as established by the statistics a great case can be made for the good husbandry of land showing substantial output.

Since range management normally involves livestock and particularly in the west my figures will be taken for western public lands. (U.S. Department of Interior Public Land Statistics 1967)

The Bureau of Land Management has jurisdiction over 172 million acres in the eleven western states, and the Forest Service 136 million acres for a total of 308 million acres in the two principal agencies that have most of the range management problems involving grazing as a principal use. As reflected by range management studies much of these lands and particularly in BLM are at the cross roads. Whence is the direction to take and how can it be justified?

There are 200 million people in the United States that own these 300 million acres of land. *The test for direction needs to be what use of these lands is best for the people who own it.* The administrative agencies are the trustees for the beneficiaries of the trust, and their benefits must be the lode star of the efforts.

All 200 million people have an interest in what is done present and future about the output from the lands. It is not at all unreasonable to say that these lands have a present worth value of a dollar per year to the owners. It would then be worth 200 million dollars per year for our people to have this value either interpreted on a *have basis*, or a *loss basis* if it was taken from them. I am sure the dollar per year is very conservative. Ask yourself the questions, would I pay a dollar for retention and good husbandry of my interest in these 300 million acres? And if I loose it to private utilization have I lost a dollar per year? The answers are easy, aren't they? Even though the great majority of these people may never be able to directly visit or be upon their lands, (annual visits on BLM lands now exceed 50 million) it cannot be said they don't have real value to them, and their loss would damage them.

The availability of these lands for peoples' use in a quality status is where the values lie. When projecting the money values we find on a ten year projection the values to the people to be 2 billion dollars, on a twenty year basis 4 billion, on a forty year basis 8 billion, and on an eighty year basis, just one generation, 16 billion dollars, and these allow nothing for normal increment of population increase of values and earnings on the investment. With good range management all values will increase. This output I submit is far greater than the public benefits that accrue from local economies from livestock grazing, and only 2% of the *nations livestock products needs are met from public lands grazed animals.*

It is this new proportion that is urged for recognition by range managers. The old contest that flowered seventy years ago that big open lands were mainly for meat production is no longer valid. There are higher and better uses and to the extent that livestock production is not compatible with the quality environment concept, the livestock people must yield to the new and better order, even though they must convert to other ways of making livelihood.

Our populations of people will expand in urban areas, and the open spaces must be retained in condominium for the fair and proper use of all the people if our society is to make cultural advancement. It is never progress to destroy in the process that which makes our country a good place to live. *No single generation has the right to foreclose the options.*

I recognize that livestock use of range has a proper place in good management, and we can anticipate it can and should continue in the multiple use framework, but the tail has been wagging the dog too long. The important output for futures is for the real public interest, and the public needs advocates for this. The livestock people have been able to take care of their ends, with result of unfair sub-

sidies in their utilization of forage from the public lands, the time for equitable adjustment is at hand.

STATEMENT OF SIERRA CLUB, PRESENTED BY LLOYD TUPLING, WASHINGTON REPRESENTATIVE

Mr. Chairman and members of the Committee. I am Lloyd Tupling, Washington Representative of the Sierra Club, a national conservation organization. Our interest in this hearing is in the conservation of the public lands upon which grazing is allowed on a permit basis, besides certain considerations of equity. These lands are the property of all Americans and should be administered for sustained yield in the national interest. Certainly, no part of the public domain should, in effect, be turned over to any special interest group.

The public lands affected by grazing permits are located in the West, including both Bureau of Land Management lands and those of the National Forests in the six Western Forest Service Regions. These lands are subject to varying degrees of aridity, and so are relatively fragile as compared to those of the humid part of the country. For this reason, they require careful management under ecological principles. This is best accomplished if they are left under the uncontested, coordinated control of the Federal land-administering agencies. Any measure that will contribute to such management is desirable. Conversely, any measure that will tend to prevent over-exploitation by any special interest group is desirable.

Judicious grazing under the rest and rotation system can enhance the vigor of plant cover essential to wildlife. Grassland management is biotic environment management and when properly conducted may promote a healthy, pastoral condition in an esthetically attractive setting. In fact, of all commodity uses, grazing can be one of the least visible in terms of impact on the landscape. This cannot be said of other commodity extraction uses which by their very nature require drastic changes in the landscape. There is real value in grazing as a land management tool.

Specifically, this hearing is concerned with reviewing the new regulations with respect to grazing fees which have been promulgated by the Departments of Agriculture and the Interior under instructions of the Bureau of the Budget, and which were published in the Federal Register, Vol. 33, No. 224, of 14 January 1969. The intention of the change in grazing fees is to obtain fair market value for the use of Federal lands. This seems to us to be a worthy purpose and unfair to no one. It also represents a policy which is in the best interests of the Federal domain in the long view. We support the new regulations.

There has been a long history of misuse of the public lands, and the stockman has contributed as much as anyone to this misuse. During the last few decades there has been an effort on the part of the Federal Government to correct this situation, but one of the holdovers from the past has been system of ridiculously low fees charged for grazing livestock.

These low fees have encouraged over-grazing and consequent damage to the land by the destruction of stands of the best grass species for grazing and through topsoil loss and arroyo cutting. The low fees have denied to the American people a fair return on the lands which are public property, in the form of revenues which might have accrued to government at county, state, and Federal levels. They have represented a large de facto subsidy to a special, relatively small group of stockmen, thus discriminating against the great majority of stockmen who are not in a position to use Federal lands. I understand that less than 2 per cent of the forage used nationally is from Bureau of Land Management and Forest Service land.

In addition, the low grazing fees have made the use of Federal lands so desirable that the practice has arisen among ranchers of adding an increment to the sale price of a ranch if it carries an attached Federal grazing permit. This increment represents a capitalized value of the grazing allotment, or what the ranchers call permit value. This means, in effect, that a rancher having a grazing allotment claims an equity in the land itself. This practice has never been recognized by the Federal land-administering agencies, being a fiction created among and by the ranchers themselves. Although only a fiction, this concept must have a psychological effect on the rancher, and must exert a certain negative influence on his attitude toward the effective Federal management of the land on which he has a permit. The new regulations will dim this illusion.

Part of the reason for the illusion of proprietary right may derive from the fact that banks and other lending agencies have accepted the existence of a grazing permit as a basis for granting loans, but since no foreclosure on the land or the permit value is possible, this can mean only that, while no equity in the land is actually at stake, the existence of a grazing permit is accepted as evidence of productive potential and hence of financial stability. Although the increase in grazing fees established by the new regulations will tend to diminish this fiction of permit value, it is likely that the borrowing potential of a ranch with a grazing permit will not be affected, because productive potential will have been reduced.

It is not inconceivable that raising the fee for forage would result in higher loans since the value of the forage is the productive basis on which loans are determined.

A major contention of some who protest the increase in grazing fees is that the new regulations were issued by surprise without any opportunity for public scrutiny. This is simply untrue, the change in the fee system having been arrived at only after long study beginning as far back as 1959. Stockmen's associations began to be brought into the picture as early as 1964, and there has been ample opportunity for them to make known their views. Study by the Federal departments involved has been thorough and painstaking, and it seems to us that a sincere effort has been made to arrive at a conclusion which, while in the national interest, would be fair to the stockman as well. We think that this goal has been accomplished and that the new regulations are fair.

It might be well to recall information developed at 1963 hearings of the Senate Interior and Insular Affairs Committee on "Review of the Taylor Grazing Act." A table on page 471 of the hearing record shows the following relationship in charges per acre for grazing on state and public domain land:

AVERAGE RECEIPTS PER ACRE

	State	BLM	State received as percentage of BLM (percent)
New Mexico.....	0.110	0.025	440
Arizona.....	.070	.011	636
Utah.....	.042	.012	350
California.....	.030	.015	200
Oregon.....	.105	.014	750
Idaho.....	.100	.017	588
Montana.....	.185	.031	597
Wyoming.....	.125	.020	625
Colorado.....	.300	.016	1,875

The State of Nevada was omitted because no state land was involved but BLM's fee there was \$0.009 per acre.

We do not contend that the state fees are fair or unfair. We merely point out that on a per-acre basis in 1962 they ranged from 3¢ in California to 30¢ in Colorado. The BLM fee in that period when placed on a per-acre basis ranged from 9/10% of 1¢ in Nevada to 3.1¢ in Montana.

For a long time Federal grazing fees have been lower than market value. For a decade they will so continue under the schedule announced. Even \$1.23 per Animal Unit Month is probably below what the grazing would bring on the open market.

The increase is to be applied very gradually in annual increments over a period of ten years. Even after the full increase is realized, it will represent but a small percentage of ranch operating costs. Any way one looks at the question, the increase cannot provide a lethal, or even a significant blow to any up-and-coming ranch operation. If, as time goes on, any ranch can be said to have failed because of the increase, then that ranch must have been on the brink of insolvency to begin with.

Still another contention is that changes such as this should await the findings of the Public Land Law Review Commission. This is not a valid argument, since the creation of that Commission was never intended to be accompanied by the suspension of the effect of all public land laws. As a matter of fact, such suspension would have put stockmen themselves into a state of suspended animation for an unknown number of years. They would certainly have resisted such an eventuality, so it is clearly unreasonable for them to argue for a selective appli-

cation of the suspension idea. The new regulations are simply a phase of the orderly management of public lands which must go on.

Our opinion that the Federal departments concerned have made a comprehensive and successful effort to be fair to all concerned has already been stated. In this connection, it should be noted that one-third of the grazing fee paid the BLM is to be set aside for range improvement. This is in the interests both of the individual stockman and the public. The Forest Service regulation does not include such a provision, but we are all aware of the efforts of the Service to improve grazing in the National Forest. For instance, in Northern New Mexico the Service has been subject to criticism because of its policy of keeping the number of cattle allowed to graze on allotments at a level which will permit range recovery. This criticism has probably arisen largely from the tradition of over-grazing in pre-National Forest times, and in spite of the known positive efforts of the Forest Service at range improvement.

The new regulations as published by both the Department of the Interior and the Department of Agriculture include provisions for future detailed review of the fee system to ensure fairness. We believe that the issuance of the regulations is long overdue. We urge that the Congress take no action that will upset them.

STATEMENT OF LEE WILLIAMS, PRESIDENT, HARNEY COUNTY STOCKGROWERS ASSOCIATION, BURNS, OREGON

I, Lee Williams, President of the Harney County Stockgrowers Association of Oregon wish to offer this statement in conjunction with the State and National Stockmen's Association that we are opposed to the increase in grazing fees that the last Administration imposed.

We, in this county that is 78% federally owned, feel that the permit value should be recognized because the public land has such a bearing on our communities, school and county government. These public lands are the main resource that has stabilized the livestock industry in the Western states. This, of course, is one of the main reasons for the inactment of the Taylor Grazing Act of 1934. In our opinion, the new increased grazing fees are in direct contract to the Taylor Grazing Act. These grazing fees will have the effect of forcing the small ranchers to sell out to larger ranchers because of the economic impact the fees will cause. History is very clear on such matters. Whenever ownership of the land falls into the hands of a few, prosperity and independence disappear from the country, and, not only for ranchers but for everyone.

The Harney County Stockgrowers Association also oppose all administrative changes in both the Interior and Agriculture Departments until after the Public Land Law Review Commission has made their recommendations to Congress.

The people in this county are opposed to administrative rules that have the effect of laws. A good portion of these rules have the tendency to disrupt the pattern of planning the livestock industry requires, as well as the intent of the Taylor Grazing Act.

Gentlemen, we oppose the increased grazing fees in their entirety unless the permit value that is attached to the base property is recognized.

STATEMENT BY TED PANKOWSKI, CONSERVATION ASSOCIATE, IZAAK WALTON LEAGUE OF AMERICA

Mr. Chairman, Members of the Committee, I am Ted Pankowski, Conservation Associate for the Izaak Walton League of America. The League is a national organization of citizens who share the conviction that America's natural resources ought to be used wisely for the benefit of the Nation. For some time, we have shared with other citizen organizations, governmental agencies and stockmen deep concern over maintaining grazing fees on public land at 65-75% below fair market value, and we appreciate the opportunity to express our views here today.

I might mention at the outset that the League's concern nationwide was the result of the work of our colleagues in the Western States, men who know stockmen and their problems and who have watched the controversies over the public domain for the past several decades. Our general conclusion, Mr. Chairman, is that there would not have been a controversy over the new fee schedule at all had certain interests finally recognized along with the vast majority of Americans, that the lands they are using and renting belong to all of us and that law and equity require that we receive a fair return on them.

Since November, 1968 when the Departments of Agriculture and Interior announced the new fee schedule we have heard it described as "absurd", "unjustified", "arbitrary" and so forth. The League can't buy this assessment, and we don't believe that a majority of the public, including most stockmen, have bought it either. It appears that some interests are intent on locking up public resources for a single use and for their own advantage under conditions they claim they have a "right" to prescribe.

It is significant to note the lengths which both the Forest Service and the Bureau of Land Management have gone to insure that the economic impact of the new fees would not bring hardship to the industry. The 1966 Grazing Fee Study covered 98 National Forests, 19 National Grasslands and 48 BLM Grazing Districts in 17 Western States, involving some 10,000 actual interviews and some 14,000 questionnaires. It included permittees on Forest and BLM lands as well as grazers in private property. Representatives from western universities, the livestock industry and financial institutions were also included. The proposed regulations were reviewed by district advisory boards, the National Advisory Board and by a Special Fee Committee of the Council, and whatever the interpretation of the result, no reasonable person could view that decision as being "arbitrary." In fact, the League believes that it was exhaustively considered and was long overdue.

Postponement of the new fees could have only encouraged a continuation of the attitude by some grazers that public grazing lands are their private domain. Postponement would have limited the options of the Public Land Law Review Commission to make meaningful recommendations for the wise and orderly management of these lands. It would have been an admission on the part of the United States government that a small percentage of one industry could continue to dictate their own terms for their continued use of public property.

Some very thoughtful and dedicated men have raised the question whether the new fees actually reflect fair market value and whether they will drive the small grazer off the range. These are valid questions, but the League believes they have already been answered.

The 2 year study by the USDA's Economic Research Service, which has been acknowledged as the most comprehensive study ever conducted on the economics of public grazing lands, indicated that only 2% of the Nation's grazing stock use public lands; that of the 14,000 BLM permittees, only 5% control 52% of the acreage; that 11% control 74%; and that the fees charged for using public lands, no matter how you cut it, were \$14 million a year less than fees for comparable services on private property. These figures indicate to us that someone other than the small producer is benefiting from this subsidy. In fact, the small grazer, particularly those without public grazing land available to them, have been put in a position of having to compete against larger holdings which have the additional advantage of the bulk of public acreage. Further, our western League members report to us that this \$14 million annual subsidy, in the form of permit values, is being bartered, subleased, sold, used as collateral and subjected to every type of financial transaction which are commonly reserved by title instruments.

The League believes that the interests of the American public, particularly those who have the privilege of using public lands for grazing and other worthy purposes, are served best when false economies are eliminated from the management of our public domain.

Mr. Chairman, I would ask you permission at this time to include in the record a thoughtful letter to the editor of the Wyoming State Tribune written by Mr. Burton W. Marston; Mr. Marston served as Chairman of the League's Public Lands Committee and is now a League National Director from the State of Wyoming. I also ask to include a resolution adopted by the Wyoming Division of the Izaak Walton League on December 7, 1968. The resolution, Mr. Chairman, is typical of resolutions adopted by all of our Western State Divisions.

Thank you for the opportunity to comment.

RESOLUTION OF IZAAK WALTON LEAGUE OF AMERICA, ON PROPOSED INCREASE
IN GRAZING FEES ON FEDERALLY OWNED LANDS

(Meeting of Board of Directors of Wyoming Division, Casper, Dec. 7, 1968)

Whereas the fees being charged to permittees and leasees for grazing livestock on Federally-owned lands are inconsistent between administering agencies and

unrealistic as compared with the fees being charged on similar private lands, and

Whereas the recently completed intensive two-year study made by the Inter-Departmental Grazing Fee Committee (Agriculture, Interior, Defense and Bureau of Budget), involving some 10,000 individuals and more than 14,000 questionnaires involving grazing users on both public and private lands in the 17 Western States, and including the lands in Grazing Districts, National Forests, National Grasslands and National Defense lands, shows that an increase in fees is warranted, and

Whereas these Departments, as a result of this Study, are now jointly recommending a grazing fee increase from the variable present rates to a uniform fee of \$1.23 per Animal Unit Month (representing a 156% to 270% increase) for permits and leases on all Federally-owned lands, to be reached in even increments over a 10-year period, starting in 1969, in order to accomplish a "fair return" and uniform basis for establishing grazing fees, and

Whereas this study shows the present rates on private lands an average of \$1.82 being paid per AUM, versus 48¢ per AUM on National Forests, 53¢ per AUM on National Grasslands, and 32¢ per AUM on BLM lands, or an average annual per acre charge of 3.1¢, and 15.7¢ and 2.5¢, respectively, and

Whereas these rates on publicly owned lands are below market value for the forage, and actually constitute a subsidy to the stockmen who are privileged to use the Federal lands, Now therefore, be it.

Resolved, That the Board of Directors of the Wyoming Division, Izaak Walton League of America, in meeting at Casper, Wyoming, December 7, 1968 endorses and urges final approval of the announced grazing fee increases as proposed by the Departments of Interior, Agriculture and Defense, to be effective for the 10-year period starting in January, 1969.

LADD SVOBODA,

President.

WALTER E. KOHRMAN,

Secretary.

STATEMENT SUBMITTED FOR THE NATIONAL ASSOCIATION OF SOIL AND WATER CONSERVATION DISTRICTS

(By Don O. Fraker, Director, Belfry, Mont.)

The National Association of Conservation Districts is deeply concerned about the recent increase in grazing fees on lands administered by the Forest Service and the Bureau of Land Management.

The National Association of Conservation Districts (NACD) represents more than 3,000 local conservation districts organized under state laws in all 50 states, Puerto Rico, and the Virgin Islands. The purpose of these districts in every state is to develop and carry forward an affirmative program for the protection and improvement of the natural resources within the boundaries of the district—using and coordinating all the available assistance from state, federal and private sources. Nearly 18,000 men and women serve without pay as the governing officials of these districts. Approximately two million landowners and operators are cooperators in district programs for conservation and resource development.

In the 17 western states—and particularly in the 11 western states—conservation districts have a special concern for the quality and management of the public lands. Although there are very large blocks of federally-owned lands, it is also true that substantial areas of public lands are intermingled with privately-owned lands. Through the permit system, several thousands of landowners use—and depend upon—the grazing they obtain from the forage on BLM and Forest Service lands.

The better the forage and water supplies and management on the public lands, the more likely the private farmers and ranchers are to make an acceptable income—and also invest in the maintenance and improvement of the public lands they use.

The better the income of the farmers and ranchers, the more likely they are to invest—also—in the protection and development of their own land, water, wildlife, and related resources.

Our concern in the NACD is for the protection and wise use of the public lands. Like everyone else, we want to see these lands managed in ways that will yield the maximum public benefits, not only during the rest of this century but for the long years thereafter. In our opinion, the increase in grazing fees will hurt rather than help with the conservation and wise use of the nation's western public land resources.

We are not here to offer economic data on the effect of the increased grazing fees on the livestock industry. We do not come before you armed with statistical evidence or in-depth studies made throughout the West. What we do present is the composite judgment of Conservation District leaders in the West, as it has been developed in local, state, regional, and national meetings over the past several years with respect to grazing permits and grazing fees—and the effect of these permits and fees on conservation and resource management.

There are a number of judgment statements I would like to offer on behalf of our Association—

1. Over all, grazing users of public lands in this part of the 20th century improve rather than exploit and damage these lands. If for no other reason, it is in their selfish interest to do so. The era of the ruthless, destructive cattle barons who exploited the land is more a matter of history than present-day fact.

2. It was part of the intent of the Taylor Grazing Act to enlist the active participation of permittees in the management and improvement of public lands. Federal appropriations for conservation and improvement of BLM range lands have never been commensurate with demonstrated needs. It has seemed quite evident, for the past 20 years or more, that the federal government was depending—to some extent, at least—on the financial input of private land-owners to help with the protection and care of these lands.

3. It is a basic truth, we believe, that conservation and good management of natural resources do not thrive in a climate of economic adversity. A permittee making a reasonably satisfactory net income is likely to do a better job of conservation and public land improvement than a permittee who is just barely able to keep one jump ahead of his creditors. To the extent that increased grazing fees jeopardize the financial capability or reduce the incentive of the permittee to invest in public land conservation and improvement, to that extent the increased fees operate against the public interest. In our judgment, the increased fees—by the time of the tenth increment—will have jeopardized financial capability and reduced incentive on the part of thousands of bona fide rancher, especially the relatively small ones.

4. There has been much discussion of the status of the grazing permit. The law prohibits the emergence of a vested or proprietary right in a permit to use the public lands. Yet the widely recognized fact is that permits associated with a unit of private property have steadily appreciated in value and have tended to stay with that unit of private property over many years of time. This is more particularly true of permits to graze public domain than permits to graze national forest lands.

It can be argued that the system, as it stands, is a good one. It has tended to foster stability, not only in the grazing industry, but in regard for the land and its related resources. A rancher with some reasonable assurance about his future is more likely to invest attention and money in both his own and the public lands, than an operator who must function largely in the dark from year to year.

To paraphrase Winston Churchill, the present permit system may have its flaws, but where is the better alternative?

5. The concept of "fair market value" as a basis for establishing a schedule of fees for public land forage is deceptive and unrealistic. It implies the existence of a "market" of some kind and conjures up the picture of men bidding against each other in a market place for annual permits, or shopping around for choice areas of public land forage. This doesn't happen, of course, and in our judgment it would not serve the public very well if it did. Annual bidding and shopping would probably yield a somewhat higher revenue to the Treasury but it would be obtained at the cost of social and economic instability in the rural West as well as an almost certain return to the destructive resource exploitation of the past century. An annual user would most likely try, as the saying goes, to get his "money's worth."

What makes a permit valuable under the unique system we use for the public lands is that it provides the permittee with access to certain specified forage at a lower cost than he would pay for the same amount of forage contracted from

a private owner. The public expects and generally gets from the permittee some substantial resource gains, such as water developments, fence installation and maintenance, seeding, weed control, deferred and rotational grazing, improved wildlife habitat, and so on. In the case of a private land forage contract, however, the owner is customarily expected to provide not only the forage commodity but the basic accompanying facilities: improvements such as fencing, water, and roads.

The first phase of the proposed 10-phase increase in grazing fee has been set in motion. During the coming months the first reactions to the increase will become evident. Also in the months ahead, the Public Land Law Review Commission will begin to make known its findings and recommendations.

Conservation District leaders at the grassroots in the West urge that steps be taken this year to bring about a moratorium on further increases in grazing fees until the "fair market value" concept can be re-examined and the findings of the Public Land Law Review Commission can be studied. In our judgment, new measures and new concepts may be necessary to deal effectively with public land as they relate to changing patterns of land use, shifting population, increasing water demands, and the need to sustain a vigorous livestock economy in the West.

STATEMENT OF WYOMING OUTDOOR COORDINATING COUNCIL

The Wyoming Outdoor Coordinating Council wishes to go on record as favoring increased grazing fees on public lands. The Council presents this statement on behalf of the Wyoming Wildlife Federation, the Wyoming Division of the Izaak Walton League, and the Wyoming Audubon Society, as well as numerous private individuals who belong to none of the aforementioned organizations.

The Council takes the position that increased grazing fees are warranted, based on the following points:

(1) Grazing fees have traditionally and historically been too low. This situation results from:

A. Historic "free" use of the open public domain before the Taylor Grazing Act.

B. Strong, concerted and generally successful opposition from the organized livestock industry for any fees other than those needed for administration of the Taylor Grazing Act. (Dewar V. Brooks 60 Nev. 219; 106 p 2nd 755; 313 U.S. 354 and Minutes, National Advisory Board Council meeting, 1944.)

C. The effective political lobbying of the livestock industry to keep fees low, keep appropriations for administration at an absolute minimum, and therefore keep tight control of public land management in industry hands. (Among other references, Senate Res. 241, 76th Cong., extended by Senate Res. 147, 77th Cong., Senate Res. 39, 78th Cong., and Senate Res. 139, 79th Cong.; *Congressional Record*, 78th Cong., 2nd sess., XC, (1944), 9558-59; Senator Pat McCarran, "A Report on Public Land Grazing Fees," *American Cattle Producer*, June, 1946, p. 15, and the statement of the National Woolgrowers Association before the Public Land Law Review Commission, Washington, D.C., January 11-12, 1968: The most important recommendation that we will make today is that these lands must be managed on the local level. Our recommendation is to make the person with the grazing permit responsible for the management of the public lands. Wouldn't it make sense to delegate the person with the grazing permit the responsibility for proper game management?)

D. The philosophy of most livestock operators to judge the success of their operations in terms of maximum numbers of livestock produced rather than maximum pounds per animal produced per acre. The original advisory boards established under the Taylor Grazing Act set carrying capacity on the public ranges too high for good management and true conservation of soil, water and range resources. Nevertheless, there has been concerted effort to maintain allotted AUM's at the original level and at the same time to maintain cheap grazing fees. Concomitant with this philosophy has been the economic realities of—

(1) The almost universal tendency of banks and lending institutions to loan money on numbers of livestock produced rather than the condition of the natural resource base needed to support the animals. The result has inevitably been continued overuse of the range resource and generally little or no improvement in carrying capacity.

(2) Grazing permittees are a privileged few within the whole livestock industry. And of these even fewer are privileged to use most of the allotted AUM's.

(3) The burden of increased fees is going to fall on the few large operators who control the most AUM's. These are the individuals most able to absorb the additional costs. They also happen to be the most influential and the most vocal of all the livestock industry.

(4) The effect on the economy of the western, public land states has been exaggerated out of all proportion to the true effect, just as the effect of changes in Section 15 regulations were exaggerated.

(5) Capitalized costs of permits as claimed by the livestock industry have come about precisely because of the intervention of powerful livestock organizations. Having succeeded in holding grazing fees down all through the years, now the industry wants to have their privileges converted to rights and take more profit. (Arguments to the contrary, the current economic squeeze on the livestock industry can only be viewed as temporary in light of burgeoning human populations and the need for food. The livestock industry also said it could not stand increased grazing fees during World War II when profits were inordinately high in relation to costs.)

(6) Adjustment of fees has been long overdue. There is no point in further delays because of recommendations which might be made by the Public Land Law Review Commission. The American public has been awaiting action from successive grazing fee studies which first originated in 1941 and have continued until this day.

STATEMENT OF JOHN W. SCOTT

MASTER OF THE NATIONAL GRANGE

I am John W. Scott, Master of the National Grange, with offices at 1616 H Street, N.W., Washington, D.C. The National Grange represents 7000 community Granges, located in rural America, many of which have a vital economic interest, as well as a social interest, in the subject being considered by this Committee.

We wish to thank the Chairman for calling hearings on the recent increases in grazing fees on federally-owned forest grasslands contained in regulations promulgated by the Departments of Agriculture and Interior. We share with this committee a sincere concern over the possible adverse effect such drastic increases in grazing fees will have upon the economic well-being of the permit holders, as well as the effect on the community in which he lives.

B.L.M. LANDS

The National Grange, for many years, has been a strong proponent of multiple use of public lands. Our members do not object to paying "reasonable fees" as used in the "Taylor Grazing Act". The Taylor Grazing Act, as amended in 1947, specifically states that, in fixing the amount of such fees, the Secretary "shall take into account the extent to which grazing districts *yield public benefits over and above those accruing to users of forage resources for livestock purposes.*" We do not believe that this was taken into consideration in arriving at the new increase in the grazing fee base. In addition, the term "fair market value", by which the increase in grazing fee base is being justified, does not appear in the Taylor Grazing Act as amended, nor has it heretofore been referred to in any of the regulations promulgated under the Act. Therefore, we challenge the legal authority of the Secretary of Interior in proposing grazing fee rates on BLM forest grassland far beyond any previously considered.

It is our understanding that the B.L.M. Advisory Council has requested the Department of Justice to determine if the "fair market value" used to determine the fee rate recommended complies to the terms of "reasonable fees" as used in the Taylor Grazing Act. If this information is not already available to the Committee, we urgently request that the Chairman submit the legality of the increase to the Justice Department for a ruling.

FOREST SERVICE LAND

The Forest Service administers the grazing on the national forests land. This is done under regulations promulgated by the Secretary of Agriculture based on the Act of June 4, 1897 and other related legislation. Broad objectives in the

administration and management of grazing are: (1) Conservation and improvement of the Federal rangelands to provide maximum sustained levels of livestock grazing consistent with other resource uses; and (2) *the allocation of grazing use to livestock producers under conditions which will lend economic stability to ranching operations and surrounding local communities.*

The Forest Service uses a base fee derived from an early study of lease rates on private grazing lands. Base fees were established for local range allotments after considering the grazing capacity, quality of forage, location, and other factors. Consequently, there are several hundred different fee bases for either cattle or sheep. Each of these, however, is adjusted annually *to reflect the previous year's average cattle or lamb prices in the Western states.*

We suggest that the 300% increase in fees, resulting from recent changes in policy in the U.S. Forest Service, are not within the guidelines used in past years to set the base grazing fee for use of forest grassland; namely (1) "lend economic stability to ranching operations and surrounding local communities" and (2) "reflect the previous year's average livestock prices."

EFFECT OF INCREASE IN FEES ON RANCHER AND COMMUNITY

In a U.S.D.A. report "Studies, Alternatives and Recommendations on the Forest Service Grazing Fee Issue", dated November 12, 1968, the Department stated "The initial impact of a fee increase would be an immediate rise in the permittee's cost of production. The amount would be directly proportional to the number of AUM's (Animal Unit Months) permitted. The increased expense would lead to an equal decrease in net income, since ranchers' gross income would not change materially. The reduced net income would be reflected in lower rancher expenditures in the local community. The size of the impact would be magnified by the multiple effect of these expenditures. The increased 25 percent refund to the local county government would be a partial compensating factor."

An industry that is already depressed by increased operating costs and low rates of return on invested capital (part of which is the permit value) cannot stand the shock of further increases in the cost of production. The 25% return to the community may be of benefit to the local government, but would not aid the rancher unless it resulted in a lowering of his local tax liability.

Losses of income by ranchers inevitably affect other segments of local economies. A reduced ranch income causes a reduction in the amount of spending the rancher does at local business establishments. Local merchants are unable to sell as many products. Their profits are reduced, their volume of business is down so they are unable to buy as much from other local businesses or from wholesalers. Thus, the losses spread through many segments of the economy.

In the past the total impact of ranch communities of increased cost has included a loss of young ranchers from these communities and the loss of population has created problems for service industries in the affected areas.

In studies made to determine the effect on local employment of loss of income to a community, it is common to use an employment multiplier. Such an employment multiplier, as it is applied to a ranching situation, would indicate that loss of ranchers in the basic sector (agriculture) would create a multiple loss of jobs in the secondary sector of the ranching communities.

Based on studies made by the Utah Agriculture Experiment Station, Utah State University, Logan, Utah, it was determined that for every rancher who sold his ranch to his neighbor and left the rural community, 1.2 jobs in the service area would also be lost. If 5 ranchers were lost due to increased fees ($5 \times 1.2 = 6$) six jobs in the service or secondary sector would be eliminated.

Employment losses in one area of the economy may be offset by increases in employment in another area. Nevertheless, in all probability, the shift from rural areas to the urban areas would add to the poverty and problems of many rural communities, as well as add to the congestion of our metropolitan areas. In addition, the migration of untrained people from rural to city adds to the economic problems of our already overcrowded urban areas.

In the Utah study, it was determined that as the ranchers' income was reduced, by various fee levels, the local and federal revenues would increase. However, because of the generator factor, the loss of income of the community would be approximately double the ranchers' losses.

Losses exceed gains by the amount lost in the secondary sectors and the permit value lost. One could argue that secondary benefits might be forthcoming from increases in county and federal revenues, i.e., the secondary sector of the economy might be stimulated by increased revenues of the county and federal

government, or by charges for other uses of forest land. An analysis of this possibility and its economic effect on the community would be very difficult to determine. Nevertheless, problems of income distribution could be expected to have a negative effect on the local economies of the states.

CONCLUSIONS

The Grange is, and has been, deeply concerned about the economic development of rural communities. We are alarmed at certain policies of government that take a narrow view of problems, without consideration of the bilateral or multilateral effect such policy determinations may have upon the people and the community in which they live.

If the high increase in fees under consideration remains in effect, ranchers will be forced out of business, because they do not have the power to pass on this increase in production cost to the consumer. The net result will be loss of income to the rancher, community and eventually withdrawal from the ranching industry and migration to urban areas.

We must admit that we find some policies of Government difficult, if not impossible, to understand. The increase in grazing fees is a case in point. At the very time Congress and the Administration are considering various methods and alternatives that entail large amounts of Federal expenditures to develop rural America, other arms of Government are setting policies that will force people to leave rural communities and have a negative effect on the economies of local areas. It seems to us that we sometimes compound our problems.

In view of the total effect increases in grazing fees may have upon rural communities, we urgently request that grazing fee increases past 1969 be set aside until a thorough study has been conducted to determine the economic as well as social effect such increases will have upon rural America. Certainly we should wait until after the study by the Public Land Law Review Commission has been completed before any final decision is made.

We wish to express our thanks to this Committee for calling for hearings on the increase in grazing fees as promulgated by the Departments of Agriculture and Interior and for allowing us the opportunity of presenting our views on this matter of vital concern to some section of rural America.

We feel strongly that in applying the knowledge you will have gained by conducting these hearings, you will weigh the effect on the rancher's income, community stability and rural development in determining the future level of grazing fees. We further believe that the levels of grazing fees should be tailored to fit regional or special situations and tempered to reflect much more than "fair market value" or simply generate revenue for the Federal Treasury—revenues that would fall way short of being sufficient to correct the economic imbalance such increase in grazing fees may create.

Thank you, Mr. Chairman and Members of the Committee, for your consideration of the views of the National Grange on this controversial problem.

STATEMENT OF THE SAWTOOTH NATIONAL FOREST MULTIPLE USE ADVISORY COMMITTEE

The controversial subject of an increase in fees paid by ranchers permitted to graze livestock on National Forest system lands was discussed at a recent meeting (Dec. 27, 1968) of the Sawtooth National Forest Multiple Use Advisory Committee. The announcement of the increase by the Federal Government generated widespread and varied reactions from organizations and individuals concerned about the management and use of public lands—some in favor and some in opposition.

The 10-member Sawtooth National Forest Advisory Committee¹ sought a common understanding regarding this complex issue but found they were unable to reach a unanimous agreement. Two members expressed strong support for the increase announced by former Secretary of Agriculture Orville Freeman. The other members, though individual viewpoints varied somewhat, endorsed a state-

¹ Members of the Sawtooth National Forest Multiple Use Advisory Committee are: Everett Coats of Fairfield, Idaho; Edward Elliott of Burley, Idaho; Marshall Everheart of Jerome, Idaho; Robert Glenn of Ketchum, Idaho; Dr. Paul B. Heuston of Twin Falls, Idaho; James Martin of Burley, Idaho; David Mead of Twin Falls, Idaho; John Noh of Kimberly, Idaho; O. J. Smith of Twin Falls, Idaho; and Dr. James Taylor of Twin Falls, Idaho.

ment prepared by two members placing the majority on record as recommending further study before the grazing fee increase becomes effective. The following reasons were given:

There is a possibility the action may adversely affect the good relationship established in this area between ranchers and Sawtooth National Forest personnel which has resulted in beneficial cooperation in use of Forest grazing lands to perpetuate and increase their quality. There is a feeling that because many of the ranchers feel the proposed fee schedule is unreasonable, they may not subordinate their current profit motive to that of long-range care of the grazing lands.

Since the Forest Service as charged by Congress must use the multiple use concept of administering its lands, this committee feels that every effort should be put forth by the Government to reach a reasonable accord with the users so National Forest lands will be used as efficiently as possible, fully harvesting Forest resources in such a way as not to endanger perpetuation of the Forest lands for future generations.

There is a feeling among livestock raisers in the West that in setting up the increased fee schedule not enough consideration was given to their peculiar situation in which grazing permits for public lands have acquired intrinsic value not recognized by the Government.

There is a feeling among all multiple use groups that the manner in which the fee schedule was arrived at has not been given full enough explanation nor wide enough circulation.

The committee feels that an action with such far-reaching implications should not be rushed into effect without fullest exploration of its impact on the multiple use concept.

The statement of individual committee members and the statement agreed upon by the majority of the members as quoted above will be transmitted to the Regional Forester, Chief of the Forest Service, and the Secretary of Agriculture.

STATEMENT OF WESTERN SOUTH DAKOTA SHEEP GROWERS ASSOCIATION, BELLE FOURCHE, SOUTH DAKOTA, SUBMITTED BY JERRY HEINBAUGH, SECRETARY

The Western South Dakota Sheep Growers Association oppose the increase in the grazing fees on the public lands and I would like to comment on some of the reasons for this opposition.

The increase is sought to be justified by comparing the cost of the public lease with that of the private lease. This may seem reasonable, but some of the factors that should have been considered were ignored.

The most important of these is the investment that is required to be qualified to lease public lands. The capitalization of this investment must be included in any cost comparison between public and private leases. This omission invalidates the entire analysis.

Another point that has not been considered, concerns the restrictions and regulations placed on the public land leases. These regulations affect the kind and class of livestock that will be allowed on public lands, the number of livestock, the period and duration of use and other arbitrary decisions, without regard for the producers management abilities, that would, in fair and open comparison, reduce the value of the public lease. Therefore, public and private leases cannot be compared at equal prices.

Further, these increases will add to the small, marginal producers difficulty in maintaining his livestock operations, and will force some out of business, multiplying the number of indigent people in the cities.

And finally, in regard to those who say that the livestock people have not been paying full value for the public lands. We have been paying fair grazing fees, based on the price of livestock, while in many cases, the hunter, hobbyist and recreationist have access to the use of the public lands at no cost at all.

It is our belief that there should have been no change in the regulations or the grazing fees until after the Public Land Law Review Commission had completed its studies and made its final report.

Thank you.

JERRY HEINBAUGH,
Secretary.

STATEMENT OF NATIONAL FARMERS UNION, SUBMITTED BY REUBEN L. JOHNSON,
DIRECTOR OF LEGISLATIVE SERVICES

My name is Reuben L. Johnson. I am Director of Legislative Services of National Farmers Union. Our address is 1012 14th St., N.W., Suite 1200, Washington, D.C. 20005.

I appear here in opposition to the recently announced increase in grazing fees on public lands.

As a result of recently altered grazing-fee policy producers over a ten year period will be required to pay \$1.23 per animal-unit-month. This is an increase of 300 percent over the existing fee.

If this grazing-fee policy is not rescinded through Executive Branch or Congressional Action, farmers and ranchers and their communities throughout the West will suffer a severe economic setback. The altered policy does not consider the net-income loss to already hard-pressed ranchers throughout the West. Also, substantial losses in capital assets presently owned by farmers and ranchers would result.

CAPITAL LOSSES

During 30 years for the Bureau of Land Management and much longer for the United States Forest Service, permits to grazing public land have been capitalized into farm operations. Permits for grazing on public lands have been sold at market prices along with other farm and ranch assets. The present generation of farmers and ranchers owns an asset tied to the public grazing lands with a value for an animal-unit-month of grazing approximately comparable to the grazing value of privately-owned ranch land with comparable productivity.

I am told by Mr. Karl Shisler, President of the Utah-South Idaho Farmers Union, that grazing permits in these states are being sold for approximately \$14 to \$25 per animal-unit-month. In this connection I quote from a study of Darwin B. Neilsen and N. Keith Roberts of the Utah State University:

"Grazing fees are part of the cost of using public ranges. Therefore, an increase in fees would cause a decrease in the value of permits owned by ranchers. A fee increase as large as the one announced would reduce the permit value to zero. . . .

"The key issue in the grazing fee policy controversy is whether the Federal Government will recognize the permit value as a cost of doing business for the rancher. If the permit value is recognized there is no justification for fee increases because total costs of using public and comparable private lands are statistically equal. Of course, society does not get paid the full value of the contribution public forage makes in ranching. However, society, through its agencies mispriced the resource in the first place and created the problem. Present day ranchers have bought permits at market prices as a capital asset just like land. Is it just to confiscate this asset now?"

The following table calculates the losses. It also is taken from the study of Mr. Darwin B. Neilsen and N. Keith Roberts of Utah State University.

LOSS OF CAPITAL ASSETS, UTAH AND THE WEST

Land class	Permit values	Utah capital losses (thousands)	West capital losses (thousands)
BLM.....	\$14	\$18,867	\$165,000
USFS.....	25	14,392	178,000
Total.....		33,259	343,000

FARM NET INCOME MEANS MAIN STREET INCOME LOSS

The Utah State University report referred to above shows that prior to increasing grazing fees cattle ranchers had been realizing only a 2 percent return and sheep ranchers only a 2.6 percent return on their investments. Cattle and sheep operations cannot stand further losses in net returns and survive. Increasing the cost of grazing will further aggravate the already senseless migration from

farm to cities creating more economic problems for rural and city areas alike. The authors of the study referred to above predicted that business losses in Utah could reach \$1.7 million annually in the secondary sector of the economy. They estimated income loss to Utah farmers at one-half that amount. The authors of the report also estimated that the decreasing values of farm and ranch properties could reduce the county and state tax base for the affected area.

Mr. Chairman, the witnesses who have represented producers before the Subcommittee have repeatedly asked in one form or another: "Can an industry that is already depressed by increased operating costs and low rates of net return on invested capital stand the shock of further increasing the cost of production?"

Speaking for our farmer and rancher members who use public land for grazing, we do not think that the livestock far and ranch operations involved should have inflicted upon them a further increase in cost by a higher fee for public grazing land. We hope that the Committee will see fit to approve legislation such as that which has been introduced by Senators Gale McGee, Lee Metcalf and Joseph M. Montoya and Congressman Sam Steiger.

STATEMENT OF CALIFORNIA CATTLEMEN'S ASSOCIATION, SACRAMENTO, SUBMITTED
BY JOHN WEBER, CHAIRMAN, NATIONAL FORESTS AND PUBLIC LAND COMMITTEE

The California Cattlemen's Association representing over 3,000 cattle producers in California, would like to go on record in support of the testimony being presented to your committee by the American National Cattlemen's Association opposing the increase in grazing fees on federal land as announced by the Bureau of the Budget and printed in the Federal Register on Jan. 14, 1969.

Our strong opposition to the increases mentioned above, as well as to the structure of the grazing fee schedule, is the result of unanimous action by our organization at its 52nd Annual Convention last December. Our resolution expressing this opposition is enclosed.

Implementation of the grazing fee increases as announced would have serious economic impact on not only the livestock industry of the state, but also on the over-all economy of the entire state. In California, where approximately 50% of the entire state land is in government ownership, most of it federally owned, we have approximately 2,500 public land permittees who graze on Forest Service or BLM land. An additional 369,000 head of sheep graze on some 8 million acres of BLM land. An additional group of around 178,000 head of cattle and 168,000 head of sheep are grazed annually on 5.5 million acres of Forest Service land in the state.

The livestock industry is an important contributor to the state's economy. Cash receipts from marketing of cattle in California totalled over \$724 million in 1967. This represented in the neighborhood of 18% of the over \$4 billion which agriculture contributed to this state's economy in 1967.

Implementation of the announced fee schedule would make it virtually impossible for our many ranches to continue grazing on public land. Since many of these operations do not have, and cannot get sufficient private land on which to graze these cattle the year around, it would force a major cutback in cow herds, which in turn would put these people out of business.

There are still vast areas in this state where livestock is the major local industry and the prime contributor to the local economy. These areas will suffer a severe economic impact if these announced grazing fees are implemented.

Recognizing the importance of the livestock industry to this state, and the adverse economic impact the announced fees would have on the total economy of this state, our State Legislature has introduced a Joint Resolution opposing this fee schedule. A copy of this Joint Resolution is enclosed.¹ It has passed the State Senate and is being heard in our State Assembly.

We believe that action should be taken to suspend or delay the automatic fee increases in the schedule which was implemented by Mr. Udall and Mr. Freeman and sincerely urge that such action be taken by your committee. We appreciate this opportunity to express our views to you concerning the problems created by these new grazing fee regulations.

¹ Copy of resolution will be found following Mr. Clausen's statement on p. 24.

WILDLIFE MANAGEMENT INSTITUTE,
Washington, D.C., February 27, 1969.

Hon. WAYNE N. ASPINALL,
Chairman, Committee on Interior and Insular Affairs,
House Office Building, Washington, D.C.

DEAR CONGRESSMAN ASPINALL: The staff of the Institute will be engaged in putting on the 34th North American Wildlife and Natural Resources Conference at the time that committee hearings have been called on the matter of grazing fees. It is regretted, therefore, that a staff member will not be able to appear before the committee.

The Institute strongly endorses the payment of fair market value by grazing permittees for public lands forage. The enclosed statement elaborates on the reasons why conservationists favor the payment of fair market value, why we support the new grazing fee rate schedule just put into effect, and why we firmly oppose any recognition of permit value in determining grazing fees.

We would appreciate having this letter and the statement made a part of the hearing record.

Sincerely,

C. R. GUTERMUTH,
Vice President.

STATEMENT OF C. R. GUTERMUTH SUBMITTED FOR THE WILDLIFE MANAGEMENT
INSTITUTE

I am C. R. Guthermuth, vice president of the Wildlife Management Institute, which is one of the older national conservation organizations. The Institute's program has been devoted to the restoration and improved management of natural resources in the public interest since 1911.

The Institute is pleased to join with the others who are concerned about the proper management of national forest and public domain resources. This is not a new subject. History provides many examples of sharp controversy over grazing "rights" versus grazing "privileges" on federal lands, fees and fee structures, and over the public use and enjoyment of public lands as opposed to the private uses being made of some of these same lands.

The events that prompt this hearing also have a history of their own. The matter of fair market value originated in the years of the Eisenhower Administration, when a policy was adopted to scale the fees for public land uses at levels sufficient to return administrative costs plus the values of the resources taken. This policy did not pertain to grazing alone; all fees and charges relative to government services and goods were covered. Succeeding Administrations have supported this policy principle.

Application of such a policy to public lands grazing is more easily said than done. As part of almost continuous negotiations with representatives of the grazing industry, an expensive, two-year study was designed cooperatively and conducted by the Economic Research Service of the U.S. Department of Agriculture. Based on its comprehensive study, the ERS found that fair market value is not being received for forage on national forests and the public domain. Accordingly, the Bureau of the Budget, on January 10, directed that the U.S. Forest Service and the Bureau of Land Management begin to move in the direction of recovering fair market value for forage from grazing permittees. Instead of moving to eliminate the difference between current fees and fair market value in a single year, the Budget Bureau directed that this objective be attained in 10 equal annual steps, beginning in 1969. While this may be unfair to many who never have been granted such leniency, we have no objection to spreading this over 10 years.

But even more importantly, we want the committee and the Congress to know that we endorse and support the findings of the ERS. We commend the Johnson Administration for implementing the findings of this important study. That took some gumption, because the controversy here is more philosophical and political than economic. We congratulate the Nixon Administration for announcing on February 18 that grazing permittees will be billed at the new fee scale beginning with this year. That took gumption, too, because sharp pressure was being exerted on the new Administration to roll back the increase pending further study and other developments. The new Administration wisely chose not to follow that course, and we believe it did so because of the impelling and conclusive case presented by the ERS study.

We have seen copies of some of the livestock industry's recent mailings and publications. Running through them are the themes that the fair-market value concept poses a severe economic threat to ranch operators and western communities, that the very existence of the western beef industry is at stake, that up to 20 percent of the nation's cattle are involved, and that federal officials are engaging in an outrageous and cynical use of power. We are told that any change in the status quo will hurt the "little fellow" and will "wipe out" small western communities.

Conservationists have heard these charges time and time again. We heard them back in the 1950's when the western grazing industry tried unsuccessfully to carve out permanent vested rights on the national forests. We heard them again in the early 1960's when Congress finally acted to give the Bureau of Land Management some long-denied and much-needed authority to begin to inventory and classify the public domain and to think in preliminary terms of managing the immensely valuable public domain on a multiple-use basis. We heard from grazing interests only months ago when an effort was made to let the Classification and Multiple Use Act expire when the extension of the Public Land Law Review Commission was under consideration. And we heard them again last year when the Department of the Interior moved to bring some order and assurance of public access to the lands the public owns by revising and updating regulations pertaining to the so-called Section 15 lands. The important point about all of these events, in the conservationist's view, is that the Congress and the Administration, after hearing the facts, invariably have found these charges lacking in substance.

Let's examine some of the facts:

1. Nationally, five percent of the operators with BLM permits control over 52 percent of the grazing. Going a little further, 11 percent of the BLM permittees control more than 74 percent of the grazing. Is public lands grazing really a province of the "little man," conservationists ask?

2. Nationally, about 25 percent of the permits for the federal range are for less than 100 cow months of forage. The average livestock owned in this group will not be affected by the fee increase for five or six years.

3. The low grazing fee on federal range has encouraged widespread subleasing. In grazing districts in eastern Montana, for example, over 50 percent of the BLM forage that is sold is subleased. The rates charged for the forage extend anywhere from 10 cents to \$4.42 per cow month more than that charged by BLM. In that area, more than half of the BLM forage goes to the livestock operator through middlemen and organizations at rates from two to 14 times greater than the BLM fee. There are only about 27,000 permittees through the West. In fact, only about 700 of the 16,000 operators holding permits in BLM's grazing districts control more than 50 percent of the livestock use.

4. Only about two percent of the nation's livestock ever use the public lands. The cost of using forage produced on these lands amounts to less than four percent of the rancher's cost of doing business. The other ranchers who handle the remaining 98 percent of the nation's livestock get no subsidy from low-cost federal forage.

5. BLM collects on an average only about 30 percent of what the states charge for grazing on comparable state lands. On some lands, such as Indian reservations where ranchers bid for grazing and where they are subject to such things as 30-day cancellation clauses, lease rates run from \$1 to \$2.50 per cow month.

6. Recent bids for public land grazing by BLM permit holders ranged from \$1.50 to \$4.00 per cow month on areas outside of grazing districts where forage is sold by bid.

Grazing permits on national forest and the public domain attach to private ranches. As a result, the ranch purchaser normally can expect to get the permit that attached to that property when public land grazing first was brought under regulation. When an individual buys a ranch which has a permit to graze on a national forest or the public domain, he must pay the owner a premium in addition to the base price. That premium, commonly called permit value, averages about \$14.50 per cow month for BLM grazing permits and \$25.00 for the national forests. The concept of permit value developed because of the low fees traditionally charged for forage on public lands and for protection against having to bid competitively for it.

It is a matter of public record that some ranch sales have been made on a two-part basis—the selling price for the private property and the selling price for the

public property represented by the number of AUMs attached to the base ranch. Most sales are not recorded that openly, but suffice it to say that recognition of permit value and not what ultimately may be charged for federal forage is at the heart of the current controversy. Because permit value is a governmental privilege that they can sell, ranchers want it taken into consideration now. But this argument does not have much weight, as competent analysis shows in the study report of the Economic Research Service.

Permit value is in conflict with the Taylor Grazing Act, the keystone for private grazing on public lands administered by the Bureau of Land Management. That Act stipulates "So far as consistent with the purposes and provisions of the Act, grazing privileges recognized and acknowledged shall be adequately safeguarded, but the creation of a grazing district or the issuance of a permit pursuant to the provisions of this Act shall not create any right, title, interest, or estate in or to the lands."

The courts and the Secretary of the Interior have said that section 3 of the Taylor Grazing Act specifically prohibits recognition of permit value. They have held that grazing on public lands definitely is a privilege, not a right. They also have said that the Taylor Act would have to be amended if permit value is to be recognized.

I seriously doubt that the spokesmen for the grazing industry would care to open the Taylor Grazing Act for amendment. They are intelligent men, and they, too, have observed what is taking place in this country with respect to greatly increasing population and the widespread demands for the consumptive and non-consumptive uses of the national forests and the public domains. They know, too, that the public is demanding better levels of management to regulate public land uses and to safeguard the resources involved.

Frankly, Mr. Chairman, I do not believe that the American public would be agreeable to giving one segment of public-lands users, the grazing industry, a stronger handhold on the federal lands. No one relishes the prospect of giving any individuals or groups a vested interest in public property. At the same time I am not aware of any significant feeling against grazing permittees, who are proper and legitimate users of the public lands. To be sure, there are cases of permittees posting public lands or of charging the public a fee to use those lands, but these are susceptible of correction through ordinary administrative procedure. I feel positive that (1) the American public is going to insist that permittees not be granted a private right in a public resource and (2) that all public lands users pay a fair price for the goods and services received.

It is hoped that this committee will hear from counties that receive a share of the revenues generated by grazing and other uses of the public lands. Payment of fair market for forage, of course, will increase each county's share of the receipts. States likewise benefit. A portion of the receipts also is returned to the grazing districts for range improvements and for many other discretionary uses. It would not surprise me, however, to learn that some of the individuals working against the grazing fee increase are receiving salary and expenses from the receipts shared with grazing districts.

We believe that greater amounts should be invested in range improvements, Mr. Chairman. In past years, conservationists have urged larger appropriations for range rehabilitation. There is need for improvements of the federal range, because much of it is in poor and deteriorating condition from over use. This is, in part, a reflection against permit value. Under current practice, permit value is based on AUMs. The more AUMs, the greater premium a ranch seller can collect from a ranch purchaser. More and more, cattle are being fattened in feed lots; the federal range is merely a place to hold the animals until such time as they are shipped away for finishing. The permit value concept, in practice, works to encourage over-use of the range because by agreeing to a reduction to accommodate range conservation, the permittee reduces the premium value of his AUMs.

In summary, Mr. Chairman, the Institute joins with the others who believe that the grazing fees should be increased as directed to achieve fair market value for the forage that is taken. We reject the concept of permit value. We believe it would be contrary to the public interest to give a private party a vested right in public property. To fail to uphold this important issue at this time will only serve to prolong an already undesirable situation with respect to grazing use of the national forests and public domain. We firmly believe that sufficient facts are at hand, arrived at after thoughtful deliberation in cooperation with

the public lands grazing industry, to sustain the correctness of the course of action that has been taken.

STATEMENT OF BRIANT H. STRINGHAM, VERNAL, UTAH

Thanks for the privilege of submitting a written testimony to this important committee.

My name is Briant H. Stringham. I live in Vernal, Utah, a small agricultural town of 4,000 population. This area is based on the fringe of the public domain. The city is 125 miles from a railroad. I am an Executive Director of the Utah Wool Growers Association and am representing that association here today. Among other public positions held, I have been Mayor of Vernal City and have spent two terms in the Utah House of Representatives and the same number of terms in the Utah State Senate. I have spent my entire lifetime in the livestock business in the Vernal area, where I have raised a family of six children.

I am a member of a local National Forest Advisory Board and have been on the local, state, and national Advisory Boards of the Bureau of Land Management since the passage of the Taylor Grazing Act thirty-four years ago. I helped in the formulation and passage of the Act and the writing of the rules and regulations.

My father received one of the first grazing permits issued on the National Forest in 1905, and I was granted one of the first permits issued on Bureau of Land Management lands in 1935.

In 1876, my father and his small family pioneered the then extremely isolated Vernal area in eastern Utah with the understanding that his government would give him 160 acres for \$1.25 per acre, a water right for the payment of the filing fee and the free use of the surrounding public lands both Forest and BLM areas for the grazing of livestock. These enticements by the Federal Government persuaded the pioneers to face dire hardships in order to develop the stubborn isolated areas. This same Government, in order to develop the West, as you know, gave the railroads every other section of land for twenty miles on either side of the railroad. The above incentives were necessary in order to develop the vast resources of the West.

As the population and livestock numbers increased, it became obvious that the Forest lands needed regulation in order to protect them against abuses, including over-grazing. Subsequently, a small fee was charged for timber and livestock grazing. Twenty-four years later it was apparent to the livestock men that the remaining public lands needed regulation also to avoid the abuses that were being perpetrated by over-grazing.

The movement to regulate the public domain was initiated in Vernal, Utah, under the leadership of my brother-in-law, Congressman Don B. Colton of that same city. The bill was called the Colton-Oddie Bill. It passed the House twice, but failed in the Senate due largely to the opposition of Wyoming. Congressman Taylor of Colorado subsequently took the matter up and the Taylor Act was passed in June 1934.

The above facts of which you are familiar, are recorded to emphasize that the stockmen asked that the public lands be regulated . . . but they didn't expect to be regulated off the lands by constant increases in fees.

It is a well-known fact that the sheep industry in the United States has declined rapidly in the last two decades in spite of the fact that the Wool Incentive Act was passed by Congress. The reasons for this decline are:

1. None or very little profit.
2. Constant rise in expenses with little or no rise in the price of products produced by the industry.
3. No inducements for young men to take up the business; thus experienced labor or any kind of help is a big problem. (\$200 to \$250 and board is the going wage, all that owners can afford to pay)
4. Deep cuts in numbers on both the Forest and BLM permits seriously affect the economics of operations.
5. Severe winters and drought summers.
6. The ever-present predator problem. The sheepmen in Utah assess themselves 60 mills on every dollar for predator control. Losses are still heavy.
7. Imports of mutton, lamb and wool.

Every sheep outfit in the Vernal area is for sale. A 375% raise in fees as contemplated by Mr. Udall's order will eliminate every small operator in our area and we will have to head for the cities and relief. No industry struggling for

existence, as is the sheep business, can absorb a 375% raise in one of its major expenses and still survive.

The first fee imposed by the BLM was \$.05 per A.U.M. Today, the notices are going out assessing \$.44 per A.U.M. A raise in one year of 33 $\frac{1}{3}$ %. The average sheepman in my area is allotted about 2,000 A.U.M.s. In 1936 these A.U.M.s cost him \$100.00. This year for the same number of A.U.M.s, the cost will be \$880.00. In 1979, if the Udall order stays in effect, it will cost him not \$100.00 but \$2,460.00 for the same number of A.U.M.s.

Recently, the stockmen co-operated fully with the U.S. Departments of Agriculture and Interior in a study of the comparative prices being paid for grazing leases on private and public lands. About 635 public and private range situations were studied in detail at a cost of \$800,000.00.

One study was made by Darwin B. Nielsen and N. Keith Roberts of the Department of Agri-Economics, Utah Agricultural Experiment Station, Utah State University of Logan, Utah. Below is a quote from the findings of their study.

"The Secretaries of the U.S. Departments of Agriculture and Interior have announced their intention to raise fees charged ranchers for permits to graze public lands. This fee policy, if implemented, will have a serious negative economic impact on ranchers and their communities in Utah as well as in all the western states. It does not consider the annual income that will be lost by ranchers, the loss in capital assets owned by ranchers, nor the depressing effect on community and state economies.

For ten years resource economists at Utah State University have advised the land management agencies not to raise fees until they adequately studied the welfare implications of such action on ranchers, ranch communities, and public land management.

Grazing fees on public lands have been of concern to resource economists at Utah State University for the past ten years. Studies have been made to determine the value of forage produced on public lands. Through this research it was determined that the total cost of grazing comparable public and private range-lands were statistically equal in Utah. The equality exists if permit values which are owned by ranchers (bought and sold in the market) are recognized as a legitimate cost of ranching. Under these conditions fee increases are not warranted. The two Departments refuse to recognize the reality of the permit value in the present situation; hence, they justify a fee increase.

Permit marketing has been tolerated by the management agencies for these many years. The present generation of ranchers owns an asset tied to the public ranges with a value for an animal unit month of grazing almost equal to the value of an acre of privately owned range land with comparable productivity. Ranchers in Utah have considerable capital invested in permits.

Grazing fees are a part of the cost of using public ranges. Therefore, an increase in fees would cause a decrease in the value of permits owned by ranchers. A fee increase as large as the one announced could reduce the permit value to zero.

Capital losses are by far the most important impact of a substantial fee increase. The announced increase will wipe out all permit values immediately after implementation. No rancher would buy a dead horse or even a dying horse. Current holders of permits will lose an average of \$14.00 for AUM invested in BLM permits and an average of \$25.00 per AUM invested in USFS permits the day the fee increase becomes a fact.

Over 50 percent of Utah cattle ranches are small with 50 breeding cows or less. The increased cost will force these ranches out of business faster, and hence, increase the poverty problems.

The federal government is sponsoring programs which are in direct conflict with each other. Millions of dollars are being poured into rural areas to alleviate poverty conditions. Policies such as the one on grazing fees can only intensify the poverty conditions in rural areas in the West."

There is no doubt but that it was the understanding of the stockmen that whatever the outcome of the study, grazing fees would no be imposed higher than those paid for grazing on private lands, with the value of permits being part of the costs.

It is not within the realm of common sense to implement the Udall order when the Public Land Law Review Commission is making a study in depth of the fee question at taxpayers expense. These results are to be announced in June 1970.

Thanks again for this privilege.

SALEM, OREG., March 4, 1969.

Representative WAYNE ASPINALL,
House Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: The State of Oregon's elected officials both in the Congress and in the State, are unified in their opposition to the unprecedented proposed grazing fee increase. I would appreciate knowing specific arguments used by the Bureau of the Budget in proposing these increases. I am sure you are well aware of the detrimental effects on the agricultural industry of this State, as well as the West, should these grazing fee increases on public lands be invoked.

Respectfully,

TOM MCCALL, Governor.

ENTERPRISE, OREG., February 26, 1969.

HON. WALTER BARING,
Chairman, Public Lands Subcommittee, House Interior Committee, House Office Building, Washington, D.C.:

Urge support halting grazing fee raise. Livestock industry basic industry of our area.

WILLIAM R. KIRBY,
District Attorney, Wallowa County, Enterprise, Oreg.

ENTERPRISE, OREG., February 27, 1969.

HON. WALTER BARING,
Chairman, Public Lands Subcommittee, House Interior Committee, House Office Building, Washington, D.C.:

Request assistance defeating grazing fee increase. Wallowa County and Oregon dependent on range livestock operations.

BANK OF WALLOWA COUNTY,
J. CHEATHAM, Manager, Joseph, Oreg.
A. DAISLEY, Mayor, City of Joseph, Oreg.

ENTERPRISE, OREG., February 26, 1969.

HON. WALTER BARING,
Chairman, Public Lands Subcommittee, House Interior Committee, House Office Building, Washington, D.C.:

Highly favor American National Cattlemens Association and National Wool-growers decision against grazing fee increase.

WALLOWA COUNTY STOCKGROWERS ASSOCIATION.

JEFFERSON CITY, Mo., March 7, 1969.

Representative WAYNE N. ASPINALL,
2313 Rayburn House Office Building,
Washington, D.C.:

Missouri Department of Conservation supports new grazing fees established by Bureau of the Budget, based on fair market value.

CARL R. NOREN,
Director, Missouri Department of Conservation.

HOUSTON, TEX., March 15, 1969.

Congressman WALTER BARING,
House Office Building, Washington, D.C.

Texas Conservation Council applauds fee increases announced by Bureau of Land Management and Forest Service. We consider it unfair to subsidize ranchers using Federal lands through lower grazing fees than charged on private lands.

We oppose permitting stockmen to subtract cost of acquiring Federal permits because this would give tacit recognition of permit as proprietary right.

LAURENCE N. DEXTER,
Board Chairman.

LAKEVIEW, OREG.

Representative WAYNE ASPINALL,
House of Representatives, Washington, D.C.:

Hold increases on grazing fees at present level until all facts being considered by Public Land Law Review Commission are heard and evaluated and report made public.

DON HOTCHKISS,
Secretary, Lake County Stockgrowers Association.

SALT LAKE CITY, UTAH., February 27, 1969.

Congressman WAYNE ASPINALL,
House of Representatives, Washington, D.C.:

The Utah Cattlemen's Association sincerely thanks you and your committee for the grazing fee hearings. We wish to concur with the testimony of the American National Cattlemen's Association and consider them to be the spokesmen for our association.

SHERMAN D. HARMER, Secretary.

UTAH STATE UNIVERSITY, COLLEGE OF AGRICULTURE,
Logan, Utah, January 14, 1969.

Hon. LAURENCE J. BURTON,
Longworth Building,
Washington, D.C.

DEAR MR. BURTON: We appreciate your interest in the livestock industry as this industry is of major importance in the Intermountain West and many of us depend upon it for our bread and butter. My position may be somewhat different than a person that is operating a farm or ranch, but I feel a very strong obligation to assist these people in every way possible by developing new knowledge and attempting to apply the knowledge that we do have available. Their financial returns have been very low in the past few years and they need all the assistance they can get.

We recognize your assistance in the controversy over fee increases on Bureau Land Management and Forest Service lands. This is a very critical situation and it is extremely unfortunate that action was initiated on this problem before the report of the Public Land Law Review Commission was completed.

In relation to the grazing controversy and the value of public lands for grazing purposes, I would like to call your attention to the following research data as it may influence the definition of "base animal month" or "animal unit month". The nutritional research that is available indicates that either of the above measures are very poor in evaluating the actual value that may be obtained from the grazing resource in terms of animal productivity. For instance:

1. When we consider the maintenance and body weight gain of cattle we find that when a cow or steer is maintaining itself and gaining approximately 1.7 lbs. per head per day this animal would be consuming feed approximately equal to that required for two animals of the same weight at maintenance or zero gain. This ratio could be even wider if animals were gaining more than 1.7 lbs. per day, which is possible. There could also be a greater discrepancy if some of the maintenance animals were losing weight, and this is certainly true on some of our desert ranges during the winter months.

2. Exercise required by the animal to obtain the forage, particularly on areas of low forage production may be an important factor and some of our preliminary data would indicate that cattle exercised for distances of approximately 4 miles per day would have extra feed requirements that would approximate 30% increase over animals that are confined with minimum exercise.

3. A lactating sheep or cow could easily require twice the feed that two animals of equal weight at maintenance would require.

4. The above observations are on the bases of equal body weight, but we all know that there is a wide variation in body weight of sheep and cattle. Some of the more extreme ranges for mature sheep or cattle would be from 700 to 1500 lbs. for cows and 100 to 200 lbs. for ewes. The feed requirements are more closely related to weight to the three-quarter power, and on this basis the heavier animals would require 1.6 to 1.8 times the amount of feed for maintenance than the lighter animals.

5. The variation in body weight is also reflected in the accuracy of relating cattle to sheep. The common ratio is 1:5, but this could more properly be changed to $1:5 \pm 2.5$.

The data to support these statements comes from general animal nutrition principles, detailed cattle feedlot (finishing) studies and diary production research. We are in serious need of animal nutrition research on grazing animals to clarify and more accurately define the data presented in items 1 through 5 above.

The inequities involved in the value of range for grazing when based on Animal Unit Months or similar terms are so great that I cannot support their use.

I shall appreciate your consideration.

Sincerely,

JOHN E. BUTCHER,
Professor.

MONTROSE FARMERS UNION LOCAL,
MONTROSE COUNTY FARMERS UNION,
Montrose, Colo., February 6, 1969.

HON. WAYNE ASPINALL,
House of Representatives,
Washington, D.C.

RESOLUTION

DEAR MR. ASPINALL: We the members of the Farmers Union, local and county, of Montrose, Colorado, are opposed to the action taken by U.S. Secretary of Interior Mr. Stewart Udall for increasing the grazing fees on public land used for grazing purposes. We feel such action will be disastrous to the livestock producer; as well as the consumer of red meats; Therefore be it

Resolved That, The Montrose County and Local Farmers Union urge that this matter be reviewed by the proper committees of Congress and that recent studies by independent agencies and the Public Land Law Review Commission be used in the setting of grazing fees on public lands: Be it further

Resolved That, The Montrose County and Local Farmers Union recommend the use of these public lands for multiple use for the public and continue on a permanent basis.

Sincerely yours,

Mrs. ROSETTA BOND,
Secretary, Montrose County Farmers Union.

Mrs. LOIS VEO,
Secretary, Montrose Farmers Union Local, Cimarron, Colo.

RAPID CITY, S. DAK., February 17, 1969.

HON. WAYNE ASPINALL,
Chairman of the House Sub Committee on Public Lands,
House Office Building, Washington, D.C.

DEAR SIR: Seven years ago we purchased a half section of land near Deerfield, South Dakota, in the Black Hills National Forest. This is about 52 miles west of our headquarters ranch which lies east of Rapid City, South Dakota. This ranch in the hills is commensurate for 100 head of cattle permit and has a permit on a term basis for 100 cows for a $4\frac{1}{2}$ month season.

In 1967 we purchased another 280 acres of land near Pactola, South Dakota in the Black Hills National Forest. This is some 25 miles west of our headquarters. This ranch has a term permit for 46 head of cattle for a 4 month season and 39 head for a $4\frac{1}{2}$ month season.

When we purchased these ranches the former owners had done a considerable amount of work in water development and fencing on Forest Service lands. In purchasing these two ranches we considered we were paying about \$20,000 for the grazing privileges and the improvements placed on Forest lands by the former owners.

Since acquiring these aforementioned properties, we have entered into range management cooperative agreements with the Forest Service which consists of several proposed water developments and several miles of fencing, all of which improvements after completion become the property of the Forest Service. However, as permittees we are expected to maintain them at our expense. Part of these proposed projects are already completed.

At this time there is no telling what these cooperative agreement improvements will cost the permittees in money but according to the tentative plans they will run into several thousands of dollars.

It should be remembered when comparing costs of grazing Forest lands with grazing costs on private lands that the labor involved, all the necessary fencing, water development, salting, etc., are paid for by the land owner on private lands. The land owner considers all those costs when figuring the rate charged for the use of these private lands. In the case of Forest lands use, at least 50% of these improvements costs are borne by the user but owned by the Forest Service when completed.

In connection with the range management plans for the Forest areas which we use for grazing we have been informed by the range management specialist that he considers the investment for improvements over a period of years will be about \$100 per animal unit, half of which must be borne by the permittee. We consider we already have more than that invested in the grazing privileges connected to the two ranches we own and operate in the Black Hills National Forest and that we are already paying, including improvements placed on Forest lands, fully as much for the grazing privileges there as we are paying for private leased lands on an animal unit basis.

Had we been aware of the pending raise in grazing fees we surely would never have made our investments in ranches in the Forest area but now that we have made those investments we are faced with an impossible economic situation if this fee increase stands.

It will surely cause unbearable financial hardship on the ranching industry when forest lands are involved, and at a time when our government is deploring the plight of the nations largest industry, agriculture.

Another most important item upon which it would be difficult to place a price in dollars and cents is the fact that the land owners in the Forest areas who improve their ranches provide water facilities both on Forest land and their own land, and winter feeding for not only their livestock but also for untold numbers of wild game animals and game birds to the benefit of all hunters and all conservationists, many of whom are clamoring loudest for the raising of grazing fees. In fairness these people should be better informed as to the part ranchers are playing in the propagation of game animals and wild life in general. They should look around in the off season for hunting and learn where this wild life is finding a great share of its food and protection during the winter and spring months.

On our ranches alone it is most common to be able to count 100 or more deer grazing our meadows to say nothing of the wild turkeys and grouse that feed around our corrals during the winter season.

We respectfully ask whether or not this important contribution on our part should have a bearing on the matter under consideration. We believe it should.

In closing may we suggest that a deeper and more complete study be made before grazing fees on the National Forest lands are allowed to be raised. We feel sure that such a study will refute any claim that such a raise is justified.

If this course is denied the Forest land users should at least be freed from any obligations for improvements of ranges in the future and the National Government should assume the full costs of all such improvements like any private land-lord is obliged to do when taking in livestock for pasturage.

Respectfully,

WALTER C. TAYLOR.
RICHARD L. TAYLOR.

GOODING CHAMBER OF COMMERCE,
327 MAIN STREET,
Gooding, Idaho, February 19, 1969.

HON. WAYNE N. ASPINALL,
Chairman, House Interior and Insular Affairs Committee,
House Office Building,
Washington, D.C.

DEAR MR. ASPINALL: The Gooding Chamber of Commerce would like to take this opportunity to express concern over the proposed increase in grazing fees for use of Bureau of Land Management and Forest Service Lands.

We, as a small farm community, depend largely on the farmer and rancher for community support and business expansion. We feel sure that you are aware of the impact that any increase in grazing fees will have on an already sagging farm and ranch income. Further, the proposed increase will greatly discourage future entries into agriculture, both on the operating level and on the Agri-Business level. It would appear that this action is in direct conflict with Government actions to encourage rural development.

If there is anything the Chamber can do in the way of supplying information that might be of value on any hearings concerning this matter, or any correspondence to other officials that would be of value, we will be only too pleased to help.

Yours very truly,

GOODING CHAMBER OF COMMERCE,
FLOYD BLAMIRES,
President.

FEBRUARY 28, 1969.

HON. WILLIAM LLOYD SCOTT,
House Office Building,
Washington, D.C.

DEAR SIR: I am writing in regard to regulations concerning grazing fees charged livestock growers who use public lands. I understand there will be a hearing on this matter beginning March 4.

The livestock owners who use this land claim a rise in rental charges will raise the cost of meat. This seems like an invalid argument since their herds comprise only about 1% of the cattle sold in this country. Also, with such low rental fees they are in unfair competition with those farmers and cattlemen who must purchase the land and feed that is given to their livestock. Since these are public lands and we are all taxpayers, there is no reason these men should be given extra advantage over their competitors.

I urge that you not be influenced by the strong lobby these men have but rather by the study made in 1960 by the Western universities and the Economic Research Service of the Department of Agriculture.

I am interested in knowing how you regard this issue and would like to be informed as to how you vote upon it. Also, I would like to have my letter be made a part of the Record of Hearing.

Respectfully,

DAVID ALEXANDER,
Alexandria, Va.

THE IZAAK WALTON LEAGUE OF AMERICA
Fort Wayne, Ind., March 11, 1969.

HON. HENRY M. JACKSON,
Senate Office Building
Washington, D.C.

DEAR SENATOR JACKSON: This letter is written in support of proposed increases in grazing fees on the public lands. The Izaak Walton League's position has been amply placed in the record by the League's professional staff and by western state divisions of our organization, and there is no need to reiterate this rationale. However, I did want to underscore that the large midwestern components of the League are in full support of the proposed increases and would strongly oppose rescinding them or delaying their implementation. Let me be perfectly candid in observing that there is some tendency for intensive users of the public lands to infer that such use carries some form of proprietary rights in

those lands. Since I have personally visited many areas of the public lands, and have been exposed to that principle, I know that is not an unfair assessment.

However, grazing rights do not, and should not, convey any proprietary or exclusive interest; the public lands are resources in which all citizens have an interest. Any special uses of those lands for enterprises conducted for profit should be compensated by appropriate permit fees and charges.

The new fee system for grazing developed by the Departments of Interior and Agriculture are, even at their new formula, nominal, and will take a decade to approach market value. Grazing permits should be considered apart from other fees, otherwise they could be interpreted as capitalization conveying a form of proprietary interest.

Sincerely yours,

THOMAS E. DUSTIN,
National Vice President,
Member, Public Lands Committee.

Battle Mountain, Nev., February 25, 1969.

HON. WALTER BARING,
Congressman of Nevada,
House Office Building,
Washington, D.C.

DEAR WALTER: The Battle Mountain Chamber of Commerce wishes to contribute its support to your position in opposition to the recent increase in grazing fees by the Bureau of Land Management.

If there's anything specific which we can do individually or as a body please advise.

Kindest personal regard.

H. E. DOREAN,
President, Battle Mountain Chamber of Commerce.

APPALACHIAN MOUNTAIN CLUB,
Boston, Mass., March 5, 1969.

HON. WAYNE N. ASPINALL,
Chairman, House Committee on Interior & Insular Affairs,
House Office Building,
Washington D.C.

DEAR REPRESENTATIVE ASPINALL: On behalf of the 12,000 members of the Appalachian Mountain Club, an outdoor public service organization, I submit the following resolution of the Officers of the Appalachian Mountain Club unanimously adopted at their meeting in Boston, Massachusetts on Tuesday, March 4, 1969.

Resolved, That the Appalachian Mountain Club supports the new grazing fees effective January 1, 1969 on Federal Lands administered by the Department of Agriculture and Interior.

Sincerely yours,

GARDNER W. MOULTON,
President.

FEBRUARY 26, 1969.

Representative WAYNE ASPINALL,
Chairman, House Interior Subcommittee on Public Lands,
Washington, D.C.

DEAR SIR: Although our organization will not be able to furnish a representative to appear personally before your Committee we would like to submit this written statement in regard to the proposed grazing fee increases.

An increase such as is proposed by the Department of Agriculture and the Department of Interior will have a great economic impact on the Livestock Industry in our State. Grazing fee increases of this amount would add another 4 to 5 cents a pound to the cost of feeder cattle which would be passed on to the consumer. If the consumer were unwilling or unable to pay the additional cost of domestic meat they will be forced to purchase more imports which are already depressing our domestic market.

Grazing fee increases of 300% to 400% are about the same as the industry has faced in increased taxes and operating expenses over the past 20 years and yet our feeder cattle prices are lower now than they were then.

We do not feel that the Federal Government further wants to widen the parity gap in the agriculture industry by making grazing fee increases of this amount.

Sincerely,

SOUTH DAKOTA STOCKGROWERS ASSOCIATION,

JULIAN WHIDBY,

Chairman, Public Lands Committee.

PRINEVILLE, OREG., March 11, 1969.

HON. WAYNE N. ASPINALL and WALTER S. BARING,
Chairmen, Public Lands Subcommittee and House Interior Committee, Washington, D.C.

DEAR CHAIRMEN: I am Robert Lister who in cooperation with the Lister Cattle Company, a family Corporation, operate the Lister Ranches located around Paulina in Central Oregon. I have lived there and helped operate this cattle business during the past seventy plus years.

I have just returned from the Grazing Fee Hearings before the Public Lands Subcommittee and House Interior Committee in Washington, D.C., on March 4 and 5.

I have reviewed the testimony given by those appearing before your committee and I think the Livestock Industry has justified the position it has taken primarily:

1. That there should have been no change in the grazing fees on public lands until after the Public Land Law Review Commission had made its report to Congress and you people in Washington, D.C. had time to evaluate this report and act upon it.

2. In computing the cost of grazing on public lands the capitalization of the value of grazing permits should have been included as one of the cost factors.

Your decision relative to grazing on the public lands will have a definite effect on the livestock industry as well as the local economy in the areas adjacent to this public land useage. I hope your decision is not adverse to the position the public land grazers have presented to you.

I thank you very much for holding these hearings and congratulate you on the manner in which they were conducted.

Most sincerely,

ROBERT LISTER.

FEBRUARY 22, 1969.

HON. WALTER BARING,
Chairman, Public Lands Subcommittee, House Interior Committee, House Office Building, Washington, D.C.

DEAR MR. BARING: The range livestock industry feel that if we, as individuals, are to guarantee our Government their estimate of a "fair market return" for their forage, why should not our Government guarantee us a "fair market return" on our livestock operations and capital investment?

Government agency employees, indoctrined in deficit spending, and with guaranteed annual income, built in salary increases and fringe benefits, have programmed the computers for a predetermined figure in the Western Livestock Grazing Survey of 1966.

The Bureau of the Budget with expenditures of some 200 million dollars, will not be helped by forcing the farmer and his employees off the land and into urban welfare areas. Six percent of our population is feeding this nation better than any country in history.

Private industry has pioneered range conservation, cooperating with government agencies in consolidating private investment of capital with public lands by forming economic grazing units to use marginal land. The grazing fee increase will financially ruin an industry already borrowing on its lifetime savings in real estate to continue operations.

The Western Livestock Grazing Survey of 1966 proved that livestock operators were paying for the privilege of ranching. It is shameful that forage, a perishable renewable resource, cannot be harvested economically by adjacent domestic livestock.

We have tried to resolve the range fee increases amicably, but have ended rather like the Paris Peace talks. Bureaus have put the increases into effect, now we are seeking congressional action to force adherence to the true facts.

Sincerely,

KEN R. JOHNSON, *Chairman,*
Public Lands, Oregon Sheep Growers Association,
Enterprise Oreg.

CALIFORNIA WOOL GROWERS ASSOCIATION,
Sacramento, Calif., February 19, 1969.

Congressman WALTER S. BARING,
Chairman, Public Lands Committee, House Interior Committee, House Office
Building, Washington, D.C.

DEAR CONGRESSMAN BARING: The California Wool Growers Association strongly urges the curtailment of the increase in the grazing fees proposed by the Secretary of Interior. Enclosed you find a resolution endorsing our stand on this matter.

We will have representatives in attendance at your forthcoming hearings to further express our views and reasoning about imposing this new fee schedule.

We would appreciate your help and cooperation in this matter.

Sincerely yours,

JIM ANDERSON, *Secretary.*

Resolutions adopted at the 108th Annual Convention of the California Wool Growers Association:

GRAZING FEES

A comprehensive study has been made by the Bureau of Land Management and the U.S. Forest Service, in conjunction with the livestock industry, to compare the cost of our operations on private lands to the cost of operating on public lands. Cost of purchase of investment cost of the permits was included in the study. The capitalization of the investment is a cost of operating on the public lands.

We request, in view of these facts, that the Bureau of Land Management and the United States Forest Service grazing fees be determined by including in the cost of operating on public lands, a capitalization of the value of the permits at 6 per cent.

Resolutions adopted at the 108th Annual Convention of the California Wool Growers Association.

GRAZING FEE STUDY

We strongly endorse the joint statement of the American National Cattlemen's Association and National Wool Growers Association on the grazing fee study.

MONTANA STOCKGROWERS ASSOCIATION, INC.,
Helena, Mont., February 24, 1969.

CONGRESSMAN WALTER S. BARING,
Public Lands Subcommittee, House Interior and Insular Affairs Committee, U.S.
House of Representatives, Washington, D.C.

DEAR CONGRESSMAN BARING: Your committee is holding hearings on the matter of grazing fees to be charged for public lands. While only part of the 5,500 cattle producer members of the Montana Stockgrowers Association lease public grazing themselves, they are all concerned with the economy of our beef cattle industry and of our state.

The steps taken in recent months by the federal agencies involved in management of public lands is not specifically a matter of the amount of the fees to be charged. The fee formula established under the Taylor grazing act is adequate and suitable to set the fee at any necessary and reasonable level if the Secretary determines that a change in fee is warranted. In fact, the results of the 1966 Western Livestock Grazing Survey, which was conducted for the purpose of establishing a sound economic basis and equitable comparison of *total* grazing costs for running cattle and sheep on public vs. private lands, made clear that a 30% increase in grazing fees was justified. This was ignored by the Secretary

of the Interior until recently when a distorted version of the study was purported to justify not only a 400% increase in fees but also 100% denial of the long-recognized permit value as a cost of doing business.

So what is immediately involved in the action taken by the Secretary is a serious breach of faith with the livestock industry and an arbitrary action setting up a new method of setting fees that abrogates the specific terms of the Taylor Act. The industry entered into the special study in good faith on the basis that a careful and comprehensive comparison of all grazing costs for private and public lands would serve as an equitable and realistic means of establishing the economic value of an AUM of forage and thereby make it possible for the adjustment of fees where indicated.

There were 15 individual public and private cost items included in the study, including the dollar market value of the livestock grazing permit or lease. The subsequent denial of this permit value as a cost factor has distorted the entire effort. Practically all governmental agencies clearly recognize this permit value as a specific investment and cost as do the many other agricultural lending institutions throughout the west loaning money to ranchers.

The far reaching economic implication of this recent action should be taken into consideration. In Montana alone the market value of ranch assets will be pared down by the millions—some \$20.7 million by BLM and \$12.9 million by Forest permittees—a matter of 343 million dollars throughout the West. Few industries could withstand such adjustments in their capital structure.

Perhaps of even greater importance to more people are the public benefits that exist under administration of public lands as envisioned by the Taylor Grazing Act. In fact, Section 3 of the Taylor Act provides the sole standard and authority for the Secretary of the Interior in the determination of grazing fees, namely, "responsible" . . . to be fixed or determined from time to time and in fixing the amount" . . . the Secretary is to "take into account the extent to which such districts yield public benefits over and above those accruing to the users of the forage resources for livestock purposes . . ."

These public benefits are myriad and of great value.

Range cattle and sheep operators using public lands in connection with their private lands for grazing livestock, have over the years, provided access to the public lands and thereby making available their private lands for easy and convenient access. Millions of dollars have been invested on both private and public lands for range improvements in the form of water development, clearing of brush and noxious weeds, reseeding of ranges, building roads and fences, etc. All of these improvements not only add to the productivity and value of the range for livestock and game, but also result in many reciprocal benefits to the public in general.

Both public benefits and the value of the livestock grazing permit are closely related to the multiple-use concept. While only specific uses make monetary contributions through payment of fees and rents, all uses benefit from the combination of private and public lands. A partnership of mutual trust is essential for all to benefit.

We would most sincerely recommend that administrative agencies follow present laws and do so in cooperation with all who participate. Where grazing fee increases are justified, they should be done with the formula used over the years. Should any new concepts be necessary, they should be based on complete factual studies and not be designed to fit preconceived standards.

Inclusion of this statement in your hearing records and your committee's assistance in restoring stability to the administration of public lands will be appreciated.

Sincerely,

THE MONTANA STOCKGROWERS ASSOCIATION,
By RALPH MIRACLE, *Secretary*.

DON MALARKEY REALTY,
Vancouver, Wash., February 24, 1969.

House Subcommittee on Public Lands,
House of Representatives,
Washington, D.C.

GENTLEMEN: We, the undersigned, wish to express our opposition and deep concern relative to the increase in grazing fees specifically as it effects the Eastern Oregon cattle rancher.

"We find it mystifying that the primary producer of cattle is being paid the same price today as he was in 1946. During this same period his fixed costs have increased tremendously. His survival has been due to mechanization and either the partial or, in many instances, the complete elimination of ranch hands.

Although the declining population of Eastern Oregon Counties is not solely a result of the economic problem of cattle ranching, it, nevertheless, is the primary factor. The scores of vacant range land homes that once housed hired hands and their families will graphically testify to that. Today the rancher and his wife perform the work of three or four people, not because of greed but to hold on—to retain the status quo. Their days start before daylight and end long after dark. There are no weekends, every day is the same—work and more work in the stifling summer heat or the grim harshness of the winter cold and snow.

It is pathetic when we consider that a number of branches of the Federal Government are at this writing seeking ways to keep people out of the cities and other branches are enacting policies that will have the opposite affect.

The day is fast approaching when many cattlemen are going to be forced to divert their lands to other uses unless a prompt and compassionate understanding of their problem is recognized. It would seem that the food requirements of this country, and, in fact, the world, should command that we maintain as much range land in cattle production as is humanly possible.

We, who are signatory hereto, are all residents of Metropolitan Portland, Oregon. None of us have any financial interests in Eastern Oregon ranches, but all of us have an earnest desire to retain the heritage of the American West. Furthermore, we are of the opinion that the American Cattleman has occupied the bottom rung of the economic ladder too long, that he needs and deserves special consideration and that above all the first step should be the rescinding of the grazing fee increase by the Forest service and the Bureau of Land Management.

Respectfully submitted.

DON MALARKEY,
Vancouver, Wash.

BARNEY GIANSAnte,
Portland, Oreg.

BENEDICT MALARKEY,
Portland, Oreg.

THOMAS H. BURGESS,
Vancouver, Wash.

GEORGE MALARKEY,
Portland, Oreg.

HUGH V. LACEY,
Portland, Oreg.

NATIONAL RIFLE ASSOCIATION OF AMERICA,
Washington, D.C., February 27, 1969.

HON. WAYNE N. ASPINALL,
*Chairman, House Committee on Interior and Insular Affairs, Rayburn House
Office Building, House of Representatives, Washington, D.C.*

DEAR CONGRESSMAN ASPINALL: The National Rifle Association of America would like to reaffirm its unswerving support for the recent increases in grazing fees for the National Forests and the public lands, put into effect only last January by former Secretary of Interior Stewart Udall and former Secretary of Agriculture Orville Freeman.

Under intensive study and analysis for several years, the recommendations and final regulations shifting the method of assessing payment to animal unit months and taking steps to receive the actual value of the forage are not only eminently fair but have been long overdue. Even more important, perhaps, is establishing the principle that the use of the public's forests and grasslands for grazing is a privilege and not a vested right. The fencing and posting to exclude recreationists and other citizens from the public domain by private interests cannot be tolerated.

Spreading the fee increase over a ten-year period at 10 per cent each year should allow grazing permit holders an ample opportunity to adjust their operations easily to the gradual fee increases and will be a small price to pay in moving toward adequate and proper management and restoration of the resources.

Any unfairness lay in the archaic and one-sided fee system which has been replaced as it discriminated against those who lacked Federal grazing permits and had to pay full market value for forage they obtained from private lands. We believe that the fee increase will encourage sound range management practices, equitably allow leasees to pay for actual forage used, and enhance the recreational and esthetic values of much of the National Forests and the public domain.

As an organization of over a million sportsmen, who are vitally concerned with conservation and wise use of our land and natural resources, we endorse the grazing fee increases and urge you to take the steps necessary to assure their implementation.

We feel that these new regulations are in keeping with the best interests of all citizens including conservationists, recreationists, sportsmen and those whose livestock graze the public's lands.

We respectfully request that this letter be made part of the permanent record of proceedings of the committee hearings on grazing fees on public lands.

Respectfully submitted.

FRANK C. DANIEL,
Secretary, National Rifle Association.

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